

# ANNUAL REPORT 2011/12

2011-12



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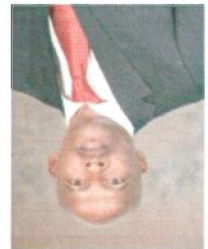


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## MAYOR'S FOREWORD



### a. Vision

During the year 2011/2012 which falls during the first year of our current political term, major steps were undertaken by the Makhuduthamaga Municipality in making sure that we provide democratic and accountable governance in developmental local government.

### b. Key Policy Developments

This annual report aims to enhance governance and accountability and forms part of a cycle of ongoing planning, monitoring and evaluation that begins with the formulation and annual review of the Integrated Development Plan (IDP). The process of the compilation of this annual report indicates the importance of a people centred local government where municipalities are politically and legally bound to account to its constituencies on service delivery and the use of public resources.

The Constitution of the Republic of South Africa places certain requirements on municipalities and these include:

- The provision of democratic and accountable government for local communities.
- To ensure the provision of services to communities in a sustainable manner.
- To promote social and Economic development.
- To promote a safe and Healthy environment and
- To encourage the involvement of communities and community organisations in the matters of Local Government.

Central to the above objects of Local Government, the municipality has embarked on strategies to promote rural development, food security and land reform in partnership with provincial and national government to spread the benefits of economic growth beyond the urban areas.



funding of SMEs which has translated to job creation. Evidence on challenges addressed will be reported in detail on the performance highlights that are linked to the Integrated Development Plan.

#### **d. Public Participation**

We recognise the significance of public participation and the momentum it brings to developmental local government and good governance. In fulfilling this recognition, the municipality has during the year under review traversed the total municipal area to solicit view and aspirations of communities for inclusion in the reviewed IDP and budget.

#### **e. Future Actions**

I am aware that we as public representatives and in service of our communities have to ensure that we are accountable to the public for effective and efficient service delivery, sound political governance, professional management and clean administration. To give effect to this goal, myself and my Executive Committee have committed to undertake the following initiatives to improve on service delivery:

- Improved customer service.
- Clean and effective administration.
- Skills development within the municipality
- Upgrading our ICT infrastructure
- Addressing the social state of our people.
- Responsible spending of tax payer's money on roads and bridges and electrification.

#### **f. Agreements / Partnerships**

We Have during the reporting period established a special partnership with the National Department of Rural Development and Land Reform on the Comprehensive Rural Development Programme (CRDP), which is a ward based development intervention at Wards 9, 11 and 18.

#### **g. Conclusion**

I would like to thank all those who have committed themselves to the process of delivery during the year under review, especially the Executive Committee, Councillors, and Executive staff who worked tirelessly to ensure the provision of collective and strategic leadership, in ensuring that we meet the targets as set out in the Integrated Development Plan for the 2011/2012 year under various challenges.

(Signed by :)

**COUNCILLOR M.A. MATLALA**

**MAYOR**



## 1.1. MUNICIPAL MANAGER'S OVERVIEW

### MUNICIPAL MANAGER'S OVERVIEW

During the 2011/12 financial year, the Makhuduthamaga Municipality intensified its efforts to reduce poverty, promote social economic development and in providing accessibility to communities in a form of access roads and bridges.



The provision of basic services is a responsibility endowed by the Constitution of the Republic of South Africa to the sphere of local government. Despite the many challenges experienced due to our inability to attract and retain competent staff at a strategic level, we remain resolute in addressing the challenges experienced by the Makhuduthamaga Municipality. These challenges which manifest themselves in infrastructure backlogs, environmental challenges, household electrification will not deter officials and Councillors to ensure that service delivery remains in the fore when planning and executing municipal objectives and strategies.

Good Governance practices ensure that the Makhuduthamaga Municipality remains accountable, transparent, responsive, effective and efficient, equitable and that it follows the rule of law. The community is informed about the Integrated Development Planning processes and their role in contributing towards development.

The IDP should help the municipality to address the basic needs of its citizens. During the reporting period, more advances were made in the Municipal Infrastructure and Basic Services. The following developmental areas that were part of good performance need special reference:

**Municipal Infrastructure and Basic Services:** An increase number of citizens of Makhuduthamaga Municipality began to enjoy an increase in access regarding quality roads and bridges and access to energy respectively, include but are not limited to the Construction of Dikaton / Malaka bridge, Construction of access road to Mohlala Tribal office, electrification of Diphagane village and installation of high mast lights at Tshehlwaneng Taxi rank.

**Economic Development:** The Makhuduthamaga Municipality took a conscious decision to be involved in assisting and supporting Small Medium and Micro Enterprises. More than ten SMMEs were supported during the 2011/2012 financial year.

**Institutional Transformation and Development:** During this period, efforts were made to establish all core municipal systems required by law. The following policies were developed and approved by Council;

**Financial viability:** The municipality has received a qualified Audit opinion from the Auditor General

Besides the success we have registered this year, there have been some challenges experienced. The previous year's report and IDP have reported a crippling loss of personnel holding critical and scarce skills. This position seems to be going unabated into the year under review.

This annual report seeks to draw the attention of all stakeholders to take stock of the implementation of the IDP during the reporting period. As partners in development, you are called upon to interact with this report which is fundamental in the implementation, monitoring and evaluation of the successes of these intervention measures.

I wish to extend my gratitude to the Mayor, Executive Committee and Councillors for their guidance and demonstrating the political will to assure the Makhuduthamaga community that their needs are taken care of.

I also express my gratitude to all employees of the municipality for their remarkable effort and commitment to the realization of the municipal objectives.

I therefore, present this 2011/2012 annual report

M.E. MOROPA

MUNICIPAL MANAGER



The Makhuduthamaga Municipality forms part of the Sekhukhune District Municipality. The municipality is completely rural, dominated by traditional land ownership. The municipality covers an area of approximately 2096 km<sup>2</sup>, and is made up of 146 settlements, with a population of 300 206 people and 56 642 households, which amounts to more than 24% of the district. Similar to most rural municipalities in the country, the Makhuduthamaga Municipality, is characterised by a weak economic base, poor infrastructure, major service delivery backlogs, dispersed human settlements and high poverty levels.

The function of water and sanitation is assigned to the Sekhukhune District Municipality.

## 1.2.1 VISION AND MISSION

The Makhuduthamaga Local Municipality committed itself to the vision and mission of:

### Vision

"A developmental Municipality that provides needs satisfying sustainable services"

### Mission

"To strive for a people centred Municipality that delivers sustainable services underpinned by the following principles:

- Efficiency
- Effectiveness
- Economy
- Integration and
- Accountability



## Values

- In achieving the Vision and Mission, Makhuduthamaga Municipality subscribe to the following values and supporting principles that reflect what the organisation views as important in the conducting of its business.
- High standard of professional ethics.
- Consultation: Regular consultation with the people about the services MLM provides
- Access: Increase access to services especially people disadvantaged by attitude related barriers.
- Courtesy: treatment of customers with courtesy and consideration.
- Information: provide more and better information about services
- Openness and transparency: Tell people about how MLM runs, its departments, costs and who is in charge.
- Redress
- Value for money

## 1.2.1 DEMOGRAPHIC INFORMATION

### Wards

The Makhuduthamaga Municipality is structured into the following 31 wards:

ward	areas/ villages
1	Ga –Tshehla, Hlaianikahle and Kutupu
2	Phokoane,Phokoane(Toishi),Mogudi and Mabintane
3	Mokgapane, Makoshala and Phokoane(Malegale, Mapaeng
4	Rietfontein and Vierfontein
5	Maserumule Park,Mohlwarekoma,Leukraal and Matlakatle A and B
6	Enzaam Trust,Phatantsihwana A and B,Enzaam Stam and Mare
7	Thoto,Malaka,Mloane, Manthanyane, Manolong, Dikatoe and Setebong
8	Caprivi,Brooklyn,Mathousand,Hlahlani,Pelepele Park and Mochadi
9	Riverside, Morgenson
10	Mogorwane,Moripane,Phushulung,Mokwete(Ngwanamallang) and Molo
11	Molepane,Mokwete,Makalaneng and Vergelegen A
12	Moretsele,Makgeru,Ratau,Makgane
13	Tshehliwaneng, Mogashoa Manamane, Schonoord (Phase Four) and Mogashoa Dithlakaneeng
14	Sekele,Moela,Kgopane,Maloma, Emkhondweni(Diamini) and Legapane
15	Mohlake,Ga-Mphakane,Houpakranz,Komane-Tswelle,Magolego and Malla Mapitsane
16	Seopela,Mashegwana Tswaledi,Mashegwana Legare and Kotsiri
17	Dithabaneng, Manganeeng, Mashite and Mathibeng(Ga Toona) and Manganeeng(Kgoliane)
18	Jane Furse RDP, Vergelegen B,Dichoueng and Moraba
19	Madibong,Maseleseng,Mamone and Mashupye
20	Mamone Tisane,Phaahla,Lobethal,Mamone(Rantso, Manyeleti),
21	Madibong(Mashishing),Mamone (Mohlala) and Vergelegen C
22	Malegale, Lekgwareng, Tjatlane, Tjatlane extension and Madibaneeng
23	Mangananeeng(Rampheleane), Malla Segolo,Dinoji,Mathibeng and Marulaneng
24	Diphagane,Marishane,Phaahla
25	Maololo,Mashabela,Mohweler,Molebeli,Machacha and Selepe, Mashabela(Ga-Marodi)
26	Mathapisa,Kome,Mishong,Kgareithuthu,Soetveld, Masakeng ,Marishane(Bothaspruit),Kutopo
27	Madopane,Manare,Mamafjekele and Masemola(Moshate)
28	Thabampshe,Tswaing,Khulwane,Wonderboom,Apel Cross,Mahwibitswane ,Mahlakole,Vlakplaats and Moji RDP
29	Malope,Mahlowaneng,Mashoanyaneng,Maraganeng,
30	Mphane and Makgwabe
30	Krokodile,Setlaboswane, Legotong,Serageng,Masaneng and Mogaladi
31	Mamatshokele,Masehlaneng,Vlakplaats,Masehswane,Motselelope,Enkantan,Makhutso,Legotong, Semahlakole and ,Marishane(Sephoto,Hopetfield)

Table 1: Municipal Wards

THE 2011 CENSUS, FOUND MAKHODUTHAMAGA POPULATION AT ABOUT 274 358,157 SETTLEMENTS AND 56 642 HOUSEHOLDS

Table: MLM language, gender and population group

LIM473: MLM	Black African	Coloured	Indian or Asian	White	Other	Unspecified
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Male						
Afrikaans	278	6	42	1	17	-
English	776	6	42	1	1	18
IsiNdebele	1 108	-	3	1	1	12
IsiXhosa	183	-	-	-	-	-
IsiZulu	1 767	-	1	1	1	-
Sepedi	112 332	27	55	39	18	-
Sesotho	217	1	1	-	3	-
Setswana	557	-	1	-	2	-
Sign language	209	-	1	1	-	-
SiSwati	1 843	-	2	-	1	-
Tshivenda	189	-	1	-	16	-
Xitsonga	305	-	1	1	4	-
Other	579	1	110	-	74	-
Unspecified	-	-	-	-	-	-
Not applicable	452	10	2	5	-	-
Female						
Afrikaans	336	6	1	13	1	-
English	847	1	14	2	6	-
IsiNdebele	1 321	-	4	-	4	-
IsiXhosa	171	-	-	-	-	-
IsiZulu	2 085	-	-	1	-	-
Sepedi	143 431	34	58	58	16	-
Sesotho	225	-	2	-	1	-
Setswana	654	-	1	-	-	-
Sign language	256	-	2	-	-	-
SiSwati	2 182	-	2	1	-	-
Tshivenda	116	1	3	-	4	-
Xitsonga	193	-	-	-	5	-
Other	202	1	17	-	14	-
Unspecified	-	-	-	-	-	-
Not applicable	751	14	1	10	2	-

Source: Census 2011



# EMPLOYMENT PROFILE FOR MAKHUDUTHAMAGA

Labour market indicators in Makhuduthamaga local Municipality

Industry	2007	2008	2009
Population total	266771	267318	269281
Population (working age)	144900	147335	150438
Employed Formal and informal	18338	19431	20402
Unemployed	26353	23846	20980
Unemployment rate (%)	59.0%	55.1%	50.7%
Labour force participation rate (%)	30.8%	29.4%	27.5%

Source: Quantec Regional Economic Database 2011

Employment by sector in Makhuduthamaga local municipality

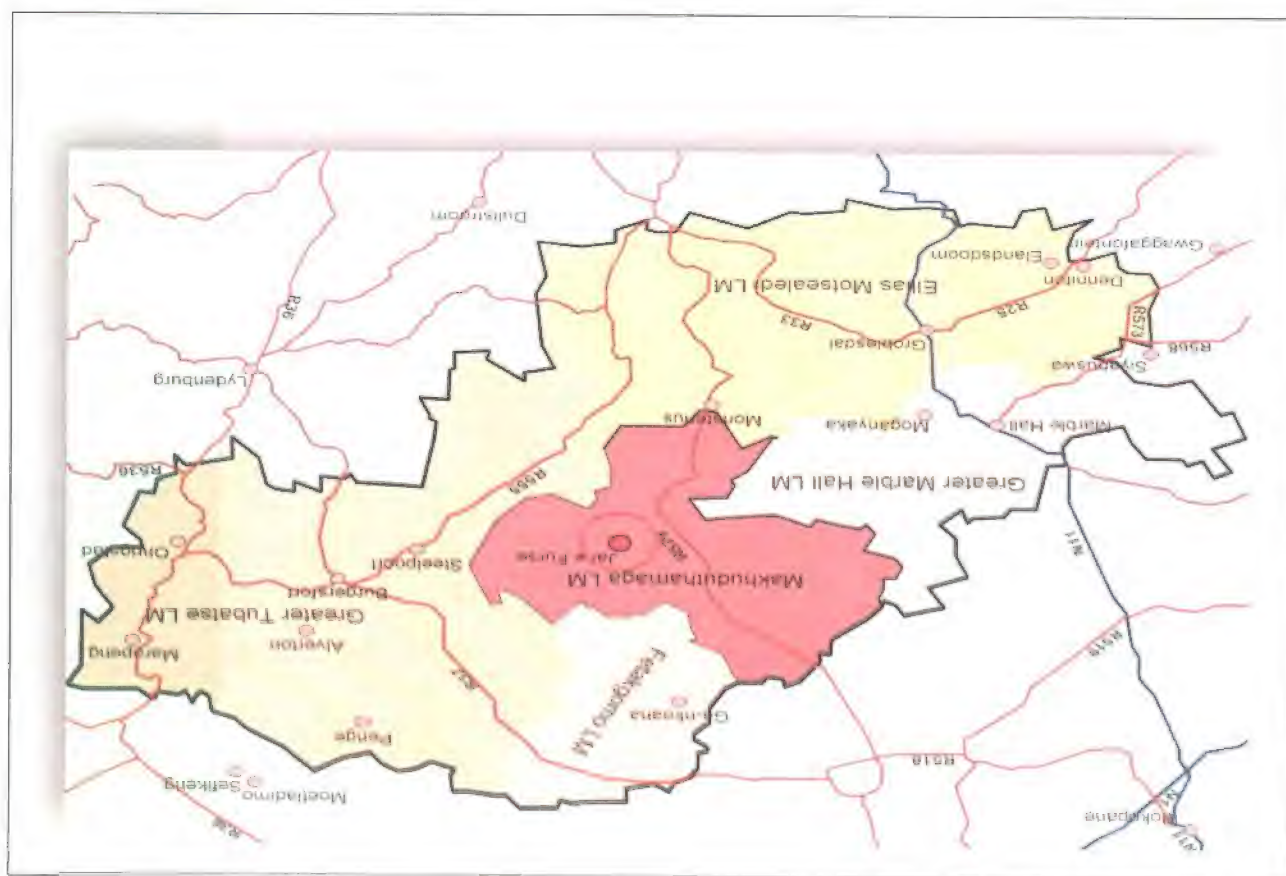
Sector	2008	2009	2010	2010 %
Agriculture, forestry and fishing	950	1137	1150	6%
Mining and quarrying	174	142	174	1%
Manufacturing	890	903	911	4%
Electricity, gas and water	145	155	150	1%
SE: Construction	2165	2471	2494	12%
Wholesale and retail trade, catering and accommodation	6925	7411	7478	37%
Transport, storage and communication	699	727	738	4%
Finance, insurance, real estate and business services	339	297	269	1%
Community, social and personal services	3448	3395	3761	19%
General government	3698	3765	3186	16%
Total	19431	20402	20310	100%

Source: Quantec Regional Economic Database 2011

Income levels within Makhuduthamaga

STATISTICS SOUTH AFRICA, 2007 ANNUAL HOUSEHOLD INCOME =

Income Categories	No.	Population (%)
No income	144,105	54.85%
R 1 - R 4 800	60,966	23.2%
R 4801 - R 9 600	8,279	3.15%
R 9 601 - R 19 200	32,154	12.24%
R 19 201 - R 38 400	2,128	0.81%
R 38 401 - R 76 800	2,637	1%
R 76 801 - R 153 600	3,829	1.46%

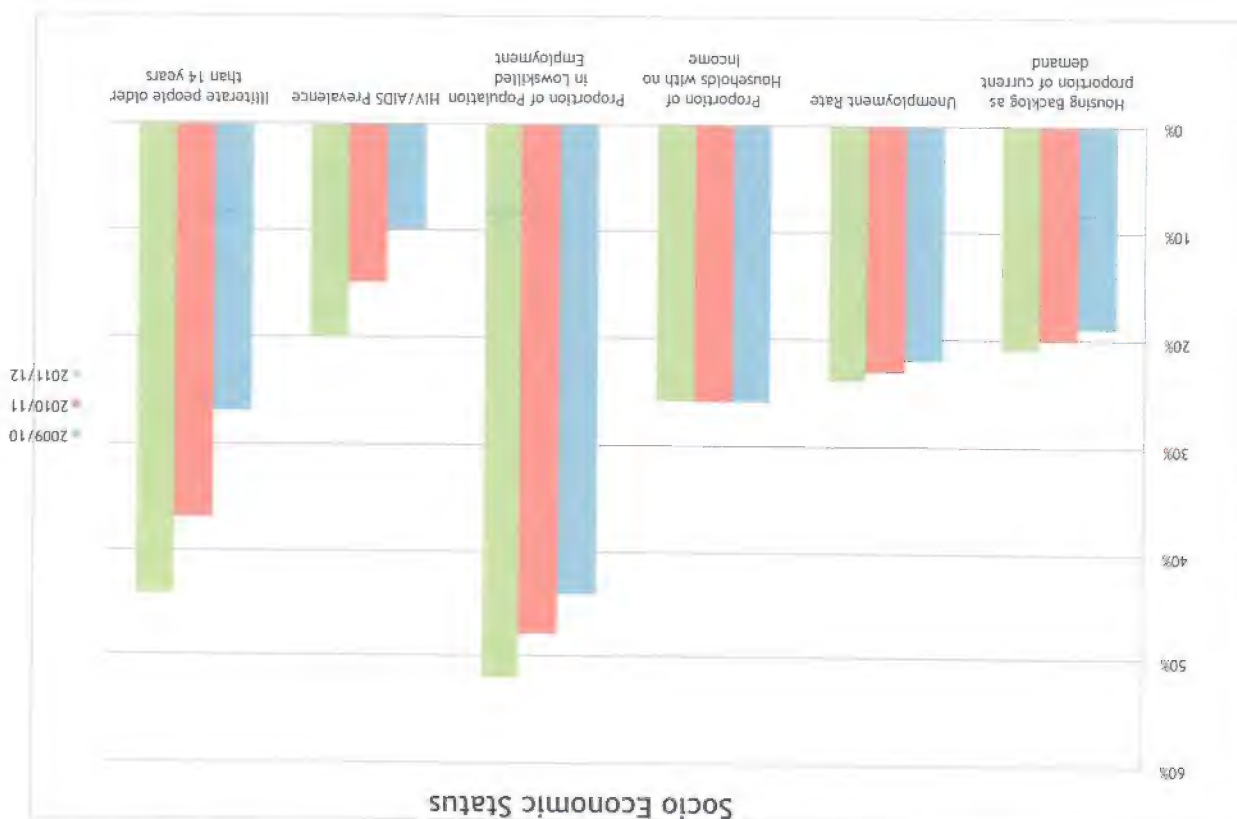


Source: Statistics South Africa, 2007 (Community Survey)

R 153 601 - R 307 200	718	0.27%
R307 201 - R 614 400	57	0.02%
R 614 401 - R 1 228 800	9	0.003%
R 1 228 801 - R 2 457 600	235	0.1%
R 2 457 601 or more	-	0%
Response not given	5911	2.25%
Institutions	1 698	0.65%
Total	262731	100%



Socio Economic Status						
Year	Housing Backlog as proportion of current demand	Unemployment rate	Proportion of households with no income	Proportion of population in low-skilled employment	HIV/AIDS prevalence	Illiterate people older than 14 years
2011/12	13 258	33 347	117 387	256 423		146 951
2010/11					3403	
2009/10						





Overview of neighborhoods within 'Name of Municipality'		
Settlements Type	Households	Population
Towns		
Jane Furse	2137	9132
Sub-Total		
Townships		
Moji (Apel Cross)		
Jane Furse RDP		
Sub-total		
Rural Settlements		
156	54 261	262 821
Sub-total		
Informal Settlements		
Sub-total		
Total	5396	271953

Natural Resources	
Major Natural Resource	Relevance to Community
Historical places for tourism e.g. caves, Manche Masebola and Sekhukhune I graves	for tourism
Pure Leolo mountain waters	
Protea flowers	
various medicinal plants	

COMMENT ON BACKGROUND DATA:

The following general challenges are experienced by the Makhuduthamaga Municipality: PA	CHALLENGES		OPPORTUNITIES
	Spatial Rationale		
	land for development is controlled by traditional authorities	Enough land for development purposes	
	Service Delivery and Infrastructure Development	Growing the local economy through infrastructure and basic services	
	Local Economic Development	There is potential for economic development	
	Good Governance and Public Participation	the willingness of communities to be involved in municipal activities and programmes	
	Financial viability and Management	Exploring alternative revenue	
	Municipal Transformation and Organisation Development	Retention of skilled personnel and capacity building	

### 1.3 SERVICE DELIVERY OVERVIEW

#### SERVICE DELIVERY INTRODUCTION

The municipality has during the reporting period managed the implementation of Roads and storm water funded through Municipal Infrastructure Grant and the Equitable Share. Provision was also made for the maintenance of roads and storm water throughout the municipal area. Sixteen projects were implemented during 2011/2012, but could not be completed due to limited capacity in the relevant departments. Key positions were not filled due to the inability to attract skilled and personnel that meet the minimum competency requirements. Most of the roads and storm water projects for the reporting period will be completed in the 2012/13 financial year.

Department of Energy. The following projects were implemented during the reporting period and will also be completed in 2012/13 due to various challenges such as delays in energising and changes in projects due to poor capacity:

- Masemola Manare – Mabopane

- Setlamoswane

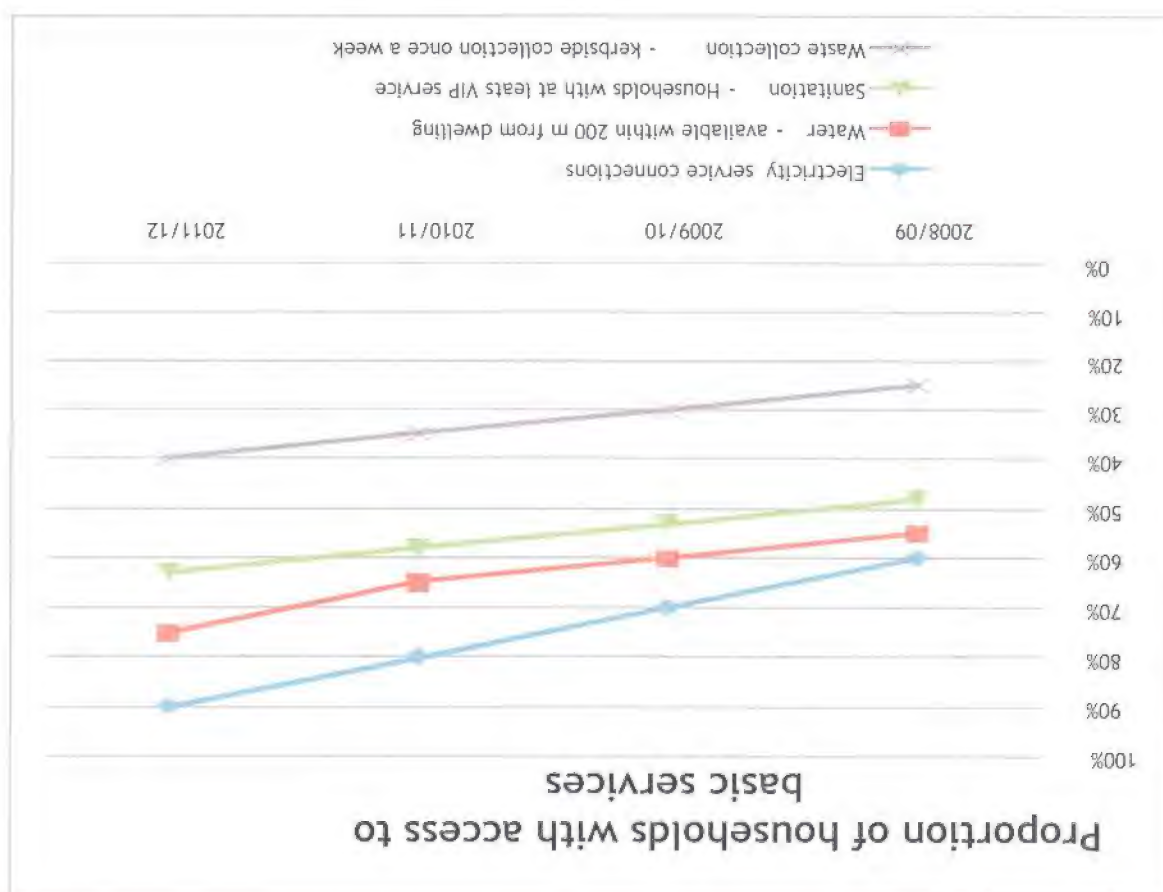
- Vierfontein D

- Brooklyn and High mast lights in Tshehliwaneng, Glen Cowie and Jane Furse.

The district municipality performs the function that deals with the provision of water and sanitation.

Major challenges experienced include the one of limited financial resources to meet the needs as reflected in the IDP, limited water sources , poor or limited energy capacity,





## 1.4 FINANCIAL HEALTH OVERVIEW

### FINANCIAL OVERVIEW

In terms of the assessment of the going concern, The municipality assets exceeds their liability and there is sufficient cash flow, to meet all the short and long term commitment, hence the financial are prepared on the going concern basis.

Financial Overview – 2011/12			
R'000			
Details	Original Budget	Adjustment Budget	Actual
Income	R 49,656	R 61,131	R 55,037
Grants	R 128,589	R 130,121	R 168,702
Taxes, Levies & Tariffs	R 0.03	R 0.03	R 0.03
Other	R 0.00	R 0.00	R 0.00
Sub Total	R 178,245	R 191,252	R 223,739
Less Expenditure	R 117,860	R 154,687	R 142,624
Net Total	R 60,385	R 36,565	R 81,115
*Note: surplus/(deficit)			

Operating Ratios	
Detail	%
Employee Cost	28%
Repairs & Maintenance	11%
Finance Charges & Depreciation	7%

### COMMENT ON OPERATING RATIOS:

Employee costs is at the expected norms at 28%, the variance for repairs and maintenance was caused by repairs of municipal building which was budgeted for but not done during the year and finance charges and depreciation variance was caused by the project which was expected to be completed during the financial year which were completed and for finance charges the municipality only have two leased machines in the current year hence the difference.

Total Capital Expenditure 2009/10 – 2011/12			
R'000			
Detail	2009/10	2010/11	2011/12
Original budget	R 59,228	R 76,017	R 70,969
Adjustment budget	R 43,199	R 83,774	R 60,231
Actual	R 26,920	R 16,429	R 73,100

The municipality has during the 2011/2012 financial year obtained a qualified audit opinion. The qualification was on non-review of the residual values and useful lives of movable assets at each reporting date in accordance with the Standard of Generally Recognized Accounting Practice (GRAP) - GRAP 17, the calculation on provision for debt impairment, not as per South African Statement of Generally Accepted Accounting Practice, IAS 39. No contract management system in place for the identification and recognition of contracts to obtain reasonable assurance that all commitments were properly recorded and irregular expenditure incurred during the financial year and not included in note 3 to the financial statements as required by section 32 of the MFMA.

#### AUDITOR GENERAL REPORT 2011/12

### 1.5 AUDITOR GENERAL REPORT





## 1.6 STATUTORY ANNUAL REPORT PROCESS

Activity	Timeframe
Consideration of next financial year's Budget and IDP process plan. Except for the legislative content, the process plan should confirm in-year reporting formats to ensure that reporting and monitoring feeds seamlessly into the Annual Report process at the end of the Budget/IDP implementation period.	July
Implementation and monitoring of approved Budget and IDP commences (in-year financial reporting).	July
Finalise 4 <sup>th</sup> quarter Report for previous financial year	July
Submit draft Annual Report to Internal Audit and Auditor-General	July
Municipal entities submit draft annual reports to MM	July
Audit/Performance committee considers draft Annual Report of municipality and entities (where relevant)	August
Mayor tables the unaudited Annual Report	August
Municipality submits draft Annual Report including consolidated annual financial statements and performance report to Auditor General.	August
Annual Performance Report as submitted to Auditor General to be provided as input to the IDP Analysis Phase	August
Auditor General assesses draft Annual Report including consolidated Annual Financial Statements and Performance data	September - October
Municipalities receive and start to address the Auditor General's comments	November
Mayor tables Annual Report and audited Financial Statements to Council complete with the Auditor-General's Report	November
Audited Annual Report is made public and representation is invited	November
Oversight Committee assesses Annual Report	November
Council adopts Oversight report	December
Oversight report is made public	December
Oversight report is submitted to relevant provincial councils	December
Commencement of draft Budget/ IDP finalisation for next financial year. Annual Report and Oversight Reports to be used as input.	January

### INTRODUCTION TO GOVERNANCE

The Council performs both legislative and executive functions. They focus on legislative, oversight and participatory roles and have delegated its executive function to the Mayor and the Executive Committee. The primary role of the Executive Committee is to identify the needs of the municipality, prioritise them and recommend to Council strategies and programmes to address priority needs. Apart from the role of decision making, Councilors are actively involved in community work and various social programmes in the municipal area.

Good governance has eight major characteristics. It is participatory, consensus oriented, accountable, transparent, responsive, effective and efficient, equitable and inclusive and follows the rule of law. It makes sure that the views of minorities are considered and voices of the vulnerable are listened to.

### PERFORMANCE HIGHLIGHTS ON GOOD GOVERNANCE

- The IDP process plan was adopted on time by Council and a notice was given to the public
- IDP and budget road-shows were held at all wards and valuable contributions were collected and considered in the final IDP.
- Mayoral Bursary fund was publicly and more than ten students were awarded bursaries for tertiary institutions.
- Makhuduthamaga Youth Council meetings were held during the reporting period.
- Audit of performance information: The Municipality has struggled with the Auditing of performance information and the Auditor General has noted it. The internal Audit has performed a functionality audit of the Performance Management System and has carried out a request to audit the validity of the evidence supporting reported performance information.



## COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

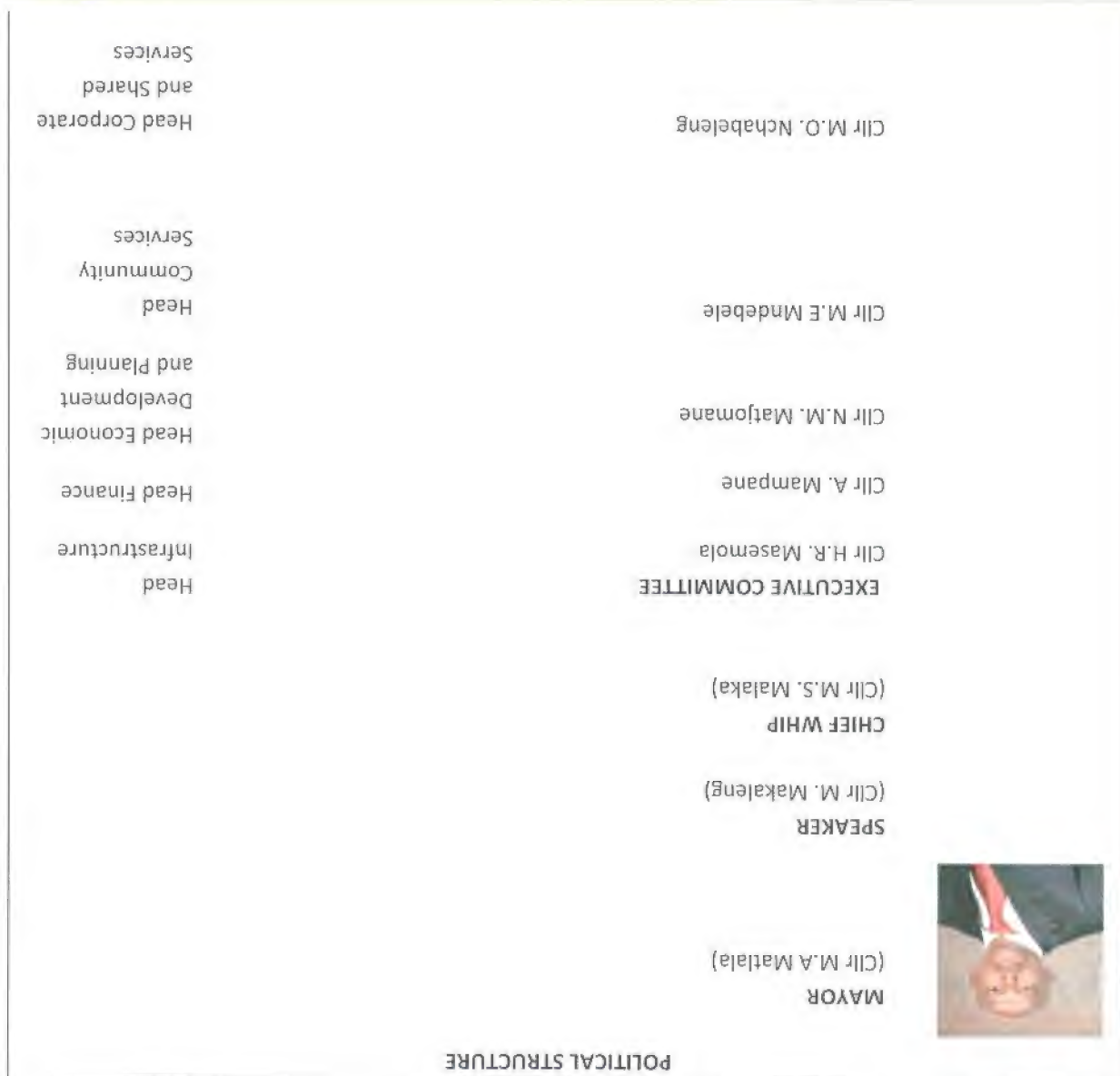
### INTRODUCTION TO POLITICAL AND ADMINISTRATIVE GOVERNANCE

Note: The Constitution S151 (3) states that the council of a municipality has the right to govern on its own initiative, the local government affairs of the local community

### 2.1 POLITICAL GOVERNANCE

#### INTRODUCTION TO POLITICAL GOVERNANCE

Note: MFMA S52 (a): The Mayor must provide general political guidance over the fiscal and financial affairs of the municipality



Cllr M.P. Lerobane	Deputy Head Infrastructure
Cllr K.R. Maisela	Deputy Head Finance
Cllr M.M. Tala	Deputy Head Economic Development and Planning
Cllr M.F. Madiba	Deputy Head Corporate and Shared Services

## COUNCILLORS

Below is a table that categorises Councillors within their specific political parties and wards

name of Councillor	Capacity	Political Party	Ward Representing /
Mohlala Magelane	Ward Councillor (1)	ANC	Ward
Johannes			
Boshieo Tamong	Ward Councillor - 2	ANC	Ward
Jackson			
Leshalabe Makopi Mavis	Ward Councillor - 3	ANC	Ward
Mabitha Poulus	Ward Councillor - 4	ANC	Ward
Mankge Ntwe Herman	Ward Councillor - 5	ANC	Ward
Thokwane Kgalaake	Ward Councillor - 6	ANC	Ward
Zacharia			
Mapitsing Tsaledi Jerry	Ward Councillor - 7	ANC	Ward
Malaka Mampoko Jonas	Ward Councillor - 8	ANC	Ward
Maphanga Tshapo David	Ward Councillor - 9	ANC	Ward
Makweng Chipane Frank	Ward Councillor - 10	COPE	Ward
Chego Kgwediebotse	Ward Councillor - 11	ANC	Ward
David			
Rankoe Tabane Peter	Ward Councillor - 12	ANC	Ward
Mohloba Seroba Jane	Ward Councillor - 13	ANC	Ward
Tshela Ntseben Ben	Ward Councillor - 14	ANC	Ward
Mashilo Mohube	Ward Councillor - 15	ANC	Ward
Margaret			
Seopela Makalan Judas	Ward Councillor - 16	ANC	Ward
Nkadimeng Seponkane	Ward Councillor - 17	ANC	Ward
Pauline			
Mashilo Ntebaleng Lillian	Ward Councillor - 18	ANC	Ward
Mabatane Mathale Klaas	Ward Councillor - 19	ANC	Ward
Manaleng Maphoko	Ward Councillor - 20	ANC	Ward
Joyce			
Maapea Skhotsho Robert	Ward Councillor - 21	ANC	Ward



Selala	Mathabeng	Ward Councillor -22	ANC	Ward
Joseph		Ward Councillor -23	ANC	Ward
Ntobeng Mhube Michael		Ward Councillor -24	ANC	Ward
Manchidi Mogotla Jonas		Ward Councillor -25	ANC	Ward
Diketane Selege Paul		Ward Councillor -26	ANC	Ward
Lethuba	Maukama	Ward Councillor -27	ANC	Ward
Diale Kotupo Elizabeth		Ward Councillor -28	ANC	Ward
Mahlare Maseane Bertha		Ward Councillor -29	ANC	Ward
Mosehla Magedi Linkie		Ward Councillor -30	ANC	Ward
Boshieo	Motseke	Ward Councillor -31	ANC	Ward
Sefoka Matlato Nicholas			ANC	Ward
Nkadimeng Setume Mary			ANC	proportional
Matlala Makaeya Alfred			ANC	proportional
Mahlase Merah			ANC	proportional
Monakedi Jerry			ANC	proportional
Maisela Kanyane Rinah			ANC	proportional
Mampuru Sekokobale			ANC	proportional
Nchabeleng Olga			ANC	proportional
Matjomanane	Namudi		ANC	proportional
Moses			ANC	proportional
Makgoga Nkoane Hilda			ANC	proportional
Malaka Mogobe Sam			ANC	proportional
Mndebele Mattie Emily			ANC	proportional
Mampama Macheng Abel			ANC	proportional
Maleka Bogajane Patricia			ANC	proportional
Masemola	Ramutuku		ANC	proportional
Hudson			ANC	proportional
Maitula Maladimo Mina			ANC	proportional
Mokhabela Queen Emma			ANC	proportional
Makaleng	Mpilo		ANC	proportional
Magdeline			ANC	proportional
Makobe	Masele		ANC	proportional
Johannes			ANC	proportional
Lerobane	Matjjudubane		ANC	proportional
Paulina			ANC	proportional
Tala Mathope Andrew			ANC	proportional
Mafate Chukudu Esther			ANC	proportional
Madiba Mathume Frans			COPE	proportional
Mohlala Morake Godfrey			COPE	proportional
Maabane Daniel Kaledi			COPE	proportional
Madingwana Reuben			AZAPO	proportional
Thokoane	Matshehle		ANC	proportional
Joseph			ANC	proportional
Mashianoke Manonyane			ANC	proportional
Frank			PAC	proportional
Manchidi Mogoane			APCA	proportional
Dolamo Mampuerunyane			SAMEPA	proportional
Machaba Makgorometsa				proportional
Giff				

### Executive Committee

The Mayor of the Municipality Cllr M.A. Matlala assisted by the Executive Committee heads the Executive arm of Council.

The name and portfolio of each member of the Executive Committee is listed in the table below:

NAME OF MEMBER	PORTFOLIO
H.R. Masebola	Infrastructure
A.Mampane	Finance
N.M.Matjokane	Economic Development and Planning
M.E.Mndebele	Community Services
M.Nchabeleng	Corporate and shared Services
M.P. Lerobane	Deputy Head Infrastructure
M.E.Madiba	Deputy Head Corporate and Shared Services
R.K.Maisela	Deputy Head Finance
M.A.Tala	Deputy Head Economic Development and Planning

### PORTFOLIO COMMITTEES

Section 80 committees are permanent Committees that specialise in a specific functional area of the municipality and make decisions depending on their delegated powers. Section 79 Committees are permanent or temporary committees reporting to Council. These committees do not have decision making powers and are usually set up to investigate or consider a particular issue and make recommendations to Council

The following committees were established by Council Resolution No 32 and 33 of 2011 respectively:

COMMITTEE	HEAD	S 79 COMMITTEE
Budget and Treasury	Mampane Abel	S 79 Committee
Community Services	Mndebele Emily	S 79 Committee
Corporate Services	Makaleng Mpilo	S 79 Committee
Local Economic Development	Lerobane Pauline	S 79 Committee
Planning	Matjokane Moses	S 79 Committee
Infrastructure	Masebola Hudson	S 79 Committee

Municipal Public Accounts Committee	Whipery of Council	Petitions Rules and Ethics Committee
Rankoe Tabane	Mampuru Ignatius	Maleka Patricia
Mampuru Ignatius		
Malaka Jonas	Nchabeleng Olga	Mankge Herman
Ntobeng Michael	Mafate Esther	Chego David
Mashilo Lillian	Ntobeng Michael	Tshehla Ben
Nkadimeng Mary	Mashilo Lillian	Diale Makopane
Manchidi Mogoane	Mohala Magelane	Boshelo Jackson
Manaleng Maphoko	Machaba Gift	Dolamo Bennet
Selala Joseph	Maabane Daniel	Monakedi Jerry
Leshalabe Jane	Madingwane Reuben	Kgoshigadi Seopela
Mohloba Jane		
Kgoshi Ratau		



## 2.2 ADMINISTRATIVE GOVERNANCE

### INTRODUCTION TO ADMINISTRATIVE GOVERNANCE

The Municipal Manager is the Chief Accounting Officer of the Municipality. He is the head of administration and has to serve as chief custodian of service delivery and implementation of political priorities. The Municipal Manager is assisted by his direct reports, which constitute the Senior/ Executive Management Team, whose structure is outlined in the table below. The vacancy rate reflected on the administrative structure is a reflection of the challenges the municipality faces in attracting skilled executive directors due to the rural nature of the area. During the reporting period, there were only two appointments at a director level and the remainder were on a rotational acting position.

official	designation	filled/ vacant	performance agreement
M.E.Moropa	Acting Municipal Manager	vacancy filled on 1 June 2012	Yes (1 July 2012)
M.E. Moropa	Director Corporate Services	vacancy filled on 1 May 2009	yes (1 July 2011)
D.S Diale	Chief Financial Officer	vacancy filled on 1 October 2009	Yes (1 July 2011)



Government at all levels identified the need to work closely and in consultation with each other. The responsibility of intergovernmental relations is assigned to the office of the Municipal Manager, where interaction and coordination of programmes and activities with all spheres of government and parastatals is managed. Engagements took place throughout the year both at an ad-hoc or project based by different line departments. The Municipality actively participates in the, Batho Pele Forum, Provincial Service Complaints Forum, District Batho Pele Forum, Provincial and District CFO Forum, MIG forum, District IDP Forum, District Cluster Committees and other forums set up by SALGA.

### INTERGOVERNMENTAL STRUCTURES

## 2.3 INTERGOVERNMENTAL RELATIONS

The Constitution of the Republic of South Africa reflects on the Government of the Republic as "constituted as national, provincial and local spheres of government, which are distinctive, inter-dependent and interrelated". It thus established some principles of cooperative and intergovernmental relations, which all organs of state within each sphere must adhere to.

### INTRODUCTION TO CO-OPERATIVE GOVERNANCE AND INTERGOVERNMENTAL RELATIONS

## COMPONENT B: INTERGOVERNMENTAL RELATIONS

### TOP ADMINISTRATIVE STRUCTURE

MUNICIPAL MANAGER (1 June 2012)

(M.E. Moropa)



DIRECTOR: Chief Financial Officer

Dorothy Sekgololo Diale

DIRECTOR: Corporate Services

Mogobadi Erick Moropa (until 30 May 2012)

DIRECTOR: Infrastructure Services

(Vacant)

DIRECTOR: Community Services

(Vacant)

DIRECTOR: Economic Development and Planning

(Vacant)

## COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

### OVERVIEW OF PUBLIC ACCOUNTABILITY AND PARTICIPATION

Section 16 of the MSA refers to the development of a culture of community participation within municipalities. For this purpose, a municipality must encourage and create conditions for the local community to participate in the affairs of the municipality. Such participation is required in terms of:

- The preparation of the Integrated Development Plan
- Establishment and implementation of the Performance Management System.
- Preparation of the municipal budget

### 2.4 PUBLIC MEETINGS

#### COMMUNICATION, PARTICIPATION AND FORUMS

Local Government has a legal obligation to ensure regular and effective communication within the community. The Constitution of the Republic of South Africa, 1996, imposes an obligation on Local Government communicators and require a high level of transparency, accountability, openness, participatory democracy and direct communication with communities to improve their quality of lives.

Communities also have a right and responsibility to participate in local government affairs and decision making. The South African Government is committed to the principles of Batho Pele and this simply means that those who are elected to represent communities (Councillors) and those who are employed to serve communities (Municipal Officials) must always put people first in what they do.

For communication to be effective, it must focus on the issues that are shown to impact on the constituents' perceptions, quality of service, value for money and efficiencies. Good customer care is of paramount importance and analysis here shows that residents of Makhuduthamaga view the municipality's service delivery in a positive light, except for a few common issues of service delivery in the water and road infrastructure sectors that were raised.

A Communication Strategy links the community to the Municipality's programmes for the year. Below is a communication checklist of the compliance to the communication requirements of local government:

communication activities		Yes/ No
Communication Unit		yes
Communication strategy		yes
Communication policy		no
Customer satisfaction Survey		yes
Functional Complaint Management System		yes
Newsletters distributed at least quarterly		no



# WARD COMMITTEES

The purpose of Ward committees is;

- To promote participation from the community to inform Council decisions
- To ensure effective communication between Council and the community.
- To assist the Ward Councillor with consultation and feed back to communities.

Public Meetings					
Nature and purpose of meeting	Date of events	Number of participating Municipal Councillors	Number of participating Municipal administrators	Number of community members attending	Dates and manner of feedback given to community
IDP stakeholder Consultation Programme					
Youth Month	16 June 2011				
Celebration	17 October 2011				
Batho Pele Build Up					

## 2.5 IDP PARTICIPATION AND ALIGNMENT

IDP Participation and Alignment Criteria*		Yes/No
Does the municipality have impact, outcome, input, output indicators?	yes	
Does the IDP have priorities, objectives, KPIs, development strategies?	yes	
Does the IDP have multi-year targets?	yes	
Are the above aligned and can they calculate into a score?	yes	
Does the budget align directly to the KPIs in the strategic plan?	no	
Do the IDP KPIs align to the Section 57 Managers	yes	
Do the IDP KPIs lead to functional area KPIs as per the SDBIP?	no	
Do the IDP KPIs align with the provincial KPIs on the 12 Outcomes	yes	
Were the indicators communicated to the public?	yes	
Were the four quarter aligned reports submitted within stipulated time frames?	yes	
* Section 26 Municipal Systems Act 2000		





## 2011/2012 IDP STAKEHOLDERS CONSULTATION PROGRAMME

Date of the event	Number of participating Municipal Councillors	Number of participating Municipal Administrators	Number of community members attending	Dates and manner of feedback given to community
22 March 2011	12	08	159	22 March 2011/During presentation.
23 March 2011	11	06	46	23 March 2011/During presentation.
25 March 2011	08	06	133	25 March 2011/During presentation.
26 March 2011	09	06	167	26 March 2011/During presentation.
28 March 2011	05	05	103	28 March 2011/During presentation.
29 March 2011	13	05	201	29 March 2011/During presentation.
30 March 2011	14	04	213	30 March 2011/During presentation.
31 March 2011	07	04	170	31 March 2011/During presentation.
01 April 2011	06	05	66	01 April 2011/During presentation.
05 April 2011	08	05	201	05 April 2011/During presentation.

## COMPONENT D: CORPORATE GOVERNANCE

### OVERVIEW OF CORPORATE GOVERNANCE

Corporate Governance is the set of processes, practices policies and laws affecting in which an institution is directed and controlled. Corporate governance also includes the relationships among various stakeholders and the goals for which the institution is governed.

## 2.6 RISK MANAGEMENT

### THE NEED FOR RISK MANAGEMENT

Risk need to be identified, evaluated and addressed on a continuous basis before such risk can impact negatively on the Municipal service delivery capacity.

### RISK MANAGEMENT UNIT'S HIGHLEVEL RESPONSIBILITIES

- Developing the overall Enterprise Risk Management vision, risk management strategy, policy, as well as applicable appetite and tolerance levels;
- Communicating the risk management policy, strategy and implementation plan to all stakeholders within MLM;
- Setting up MLM's risk management structure and reporting lines;
- Continuously drive the risk management process towards best practice;
- Developing common risk assessment methodology aligned to MLM's objectives at strategic, tactical and operational levels;
- Coordinating risk management within MLM on regular basis;
- Sensitising management timeously of the need to perform risk assessment for all major changes, capital expenditure, projects, institutional restructuring and similar events;
- Ensuring that processes such as reporting within MLM are completed efficiently and effectively;
- Assisting management in developing and implementing risk responses;
- Ensuring that effective information system exist to facilitate overall risk management improvement within MLM;
- Continuously transfer risk management principles and policies, through training interventions, to all stakeholders within MLM;
- Performing PEST (EL) analysis to identifying emerging risks facing MLM for further actions and interventions;
- Collating and consolidating results of various assessments within MLM;
- Analysing results of risk assessment process to identify trends, within the risk and control profile, and develop necessary high level control interventions to manage the said trends;
- Overseeing MLM-wide security operations for the safe guarding of its people, movable and immovable assets/property;

### Risk Factors

- Budget constraints,
- Inadequate planning and implementation,
- Inadequate sources of revenue,
- Lack of infrastructure.

## 2.7 ANTI-CORRUPTION AND FRAUD

### FRAUD AND ANTI-CORRUPTION STRATEGY

Section 83© of the MSA refers to the implementation of effective bidding structures to minimize the possibility of Fraud and Corruption, while Section 112(1) (m)(i) of the MFMA identify supply chain measures to be enforced to combat fraud and corruption, favouritism and unfair and irregular practices. Section 115 (1) of the MFMA further states that the accounting officer must take steps to ensure mechanisms and separation of duties in a Supply Chain Management System to minimize the likelihood of corruption and fraud

### Strategies and policies

strategy	developed	yes/no	date adopted
Fraud prevention strategy	yes	01/11/2011	RESOLUTION 31 OF 2011/12

## 2.8 SUPPLY CHAIN MANAGEMENT

### OVERVIEW SUPPLY CHAIN MANAGEMENT

The Municipality has approved a Supply Chain Management Policy. Various committees have been established in line with the Supply Chain Policy and Regulation.

By-laws introduced during 11/12					
Newly Developed	Revised	Public Participation conducted prior to adoption of By-Laws (Yes/no)	Dates of Public Participation	By-Laws gazetted (yes/no)	Date of Publication
No	No	No	N/A	No	N/A
Draft By-Laws were developed					



## 2.9 WEBSITES

Municipal website: content and currency of material		
Documents published on the municipality's / entity's website	Yes/No	Publishing date
Current annual and adjustment budgets and all budget related documents	Yes	12/05/2011 & 08/03/2012
All current budget related policies	Yes	12/05/2011
The previous annual report (2010/11)	Yes	05/04/2011
The annual report (2011/12) published	Yes	04/02/2013
All current performance agreements required in terms of section 57 (1) (b) of the MSA and resulting score cards	Yes	10/07/2011
All service delivery agreements (2011/12)	Yes	10/07/2011
All long term borrowing contracts (2011/12)	n/a	n/a
All supply chain management contracts above a prescribed value (give value) for 2011/12	Yes	31/05/2012
An information statement containing a list of assets over a prescribed value that have been disposed of in terms of section 14 (2) or (4) during 2011/12	Yes	12/06/2012
Contracts agreed in 2011/12 to which subsection (1) of section 33 apply, subject to subsection (3) of that section	Yes	08/03/2012
PPP agreements referred to in section 120 made in 2011/12	No	n/a
All quarterly reports tabled in the council in terms of section 52 (d) during 2011/12	Yes	14/04/2012
Note: MFMA 575 sets out the information that a municipality must include in its website as detailed above. Municipalities are of course encouraged to use their websites more extensively than this to keep their community and stakeholders abreast of service delivery arrangements and municipal developments		

### COMMENT MUNICIPAL WEBSITE CONTENT AND ACCESS:

A municipal Website is an integral part of a municipality's communication infrastructure and strategy. It serves as a tool for community participation , promotes stakeholder involvement and ensures stakeholder monitoring and evaluation of municipal performance. Section 75 of the MFMA requires each municipality to place key documents on their websites, including the Integrated Development Plan, the annual budget, adjustment budget and all other related documents and policies.

## 2.10 PUBLIC SATISFACTION ON MUNICIPAL SERVICES

### PUBLIC SATISFACTION LEVELS

The Municipality did not conduct a public satisfaction survey in the past two financial years. The plan is to conduct it in the 2012/13 financial year.

### INTRODUCTION

This chapter provides information on the strategic performance of the Makhuduthamaga Municipality and will indicate how well the municipality is meeting its objectives, and which policies, strategies and processes are working. This chapter deals with strategic performance highlights in terms of the IDP, performance on basic service delivery as well as backlogs addressed by the Municipal Infrastructure Grant projects.

### COMPONENT A: BASIC SERVICES

This component includes: waste water (storm water); electricity; waste management; and a summary of free basic services.

#### INTRODUCTION TO BASIC SERVICES

The municipality performs the following functions in relation to the provision of Basic Services:

- Electricity
- Roads and storm water
- Repair and maintenance of existing infrastructure
- Provision of Free Basic electricity

### 3.1 ELECTRICITY

#### INTRODUCTION TO ELECTRICITY

The Municipality has entered into a service level agreement with the national Department of Energy for the provision of household connections. These are handed over for maintenance to the Department after the completion of the projects. The municipality experiencing challenges with household electrification in the major part of Makhuduthamaga due to the following challenges:

- Illegal connections to households.
- Limited capacity.
- New extensions of residential sites for post connections.
- Budgetary constraints.

The Municipality had a target of 1299 units in the post connection priority list and backlogs for the reporting period. This target will not be met due to limited or an absence of capacity.



Service objectives xxx		Outline	Service Targets		Actual Performance															
Service indicators	(i)	targets	2009/10 Previous year	(iii)	2010/11 current year	(iv)	2011/12 midyear	2012/13 current year	(vi)	2013/14 following year	(vii)	2010/11	(viii)	2011/12	(ix)					
Service objective: to facilitate provision of																				
Provision of minimum supply of electricity		Proportionate	11%	reduction in HHS in 2010/11 below the 2010/11 baseline	revised levels (a) of 4068 HHS	11%	reduction in HHS in 2010/11 below the 2010/11 baseline	revised levels (a) of 1269 HHS	11%	reduction in HHS in 2010/11 below the 2010/11 baseline	revised levels (a) of 1286 HHS	11%	reduction in HHS in 2010/11 below the 2010/11 baseline	revised levels (a) of 1276 HHS	11%	reduction in HHS in 2010/11 below the 2010/11 baseline	revised levels (a) of 1164 HHS	11%	reduction in HHS in 2010/11 below the 2010/11 baseline	revised levels (a) of 1139 HHS
		backlog of HH	11%	reduction in HHS in 2010/11 below the 2010/11 baseline	revised levels (a) of 4068 HHS	11%	reduction in HHS in 2010/11 below the 2010/11 baseline	revised levels (a) of 1269 HHS	11%	reduction in HHS in 2010/11 below the 2010/11 baseline	revised levels (a) of 1286 HHS	11%	reduction in HHS in 2010/11 below the 2010/11 baseline	revised levels (a) of 1276 HHS	11%	reduction in HHS in 2010/11 below the 2010/11 baseline	revised levels (a) of 1164 HHS	11%	reduction in HHS in 2010/11 below the 2010/11 baseline	revised levels (a) of 1139 HHS
		minimum supply level	11%	reduction in HHS in 2010/11 below the 2010/11 baseline	revised levels (a) of 4068 HHS	11%	reduction in HHS in 2010/11 below the 2010/11 baseline	revised levels (a) of 1269 HHS	11%	reduction in HHS in 2010/11 below the 2010/11 baseline	revised levels (a) of 1286 HHS	11%	reduction in HHS in 2010/11 below the 2010/11 baseline	revised levels (a) of 1276 HHS	11%	reduction in HHS in 2010/11 below the 2010/11 baseline	revised levels (a) of 1164 HHS	11%	reduction in HHS in 2010/11 below the 2010/11 baseline	revised levels (a) of 1139 HHS
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		minimum supply level	11%	reduction in HHS in 2010/11 below the 2010/11 baseline	revised levels (a) of 4068 HHS	11%	reduction in HHS in 2010/11 below the 2010/11 baseline	revised levels (a) of 1269 HHS	11%	reduction in HHS in 2010/11 below the 2010/11 baseline	revised levels (a) of 1286 HHS	11%	reduction in HHS in 2010/11 below the 2010/11 baseline	revised levels (a) of 1276 HHS	11%	reduction in HHS in 2010/11 below the 2010/11 baseline	revised levels (a) of 1164 HHS	11%	reduction in HHS in 2010/11 below the 2010/11 baseline	revised levels (a) of 1139 HHS



COMMENT ON ELECTRICITY SERVICES PERFORMANCE OVERALL:

The projects that were initially planned for household electrification were not done due to lack of capacity in their respective areas. The areas with capacity were identified and projects implemented. This had an impact on the timely completion of projects and most were finally completed in the 2012/13 financial year. These reported challenges may be addressed by the building of sub-stations in consultation with the electricity regulator and Eskom.

Financial performance 2011/12: Electricity Services		2011/12		2010/22		2011/12	
R'000		Actual		Original budget		Adjustment budget	
Details		Actual		Original budget		Adjustment budget	
Total operational revenue (excluding tariffs)							
Expenditure:							
Employees		261	324	0	0	309	15
Repairs & Maintenance		0	0	0	0	0	0
Other		22,134	20,863	14,962	8,563	6,400	6,415
Total operational expenditure		22,395	21,187	15,289	8,871	6,415	6,415
Net operational (service) expenditure							
Net expenditure to be consistent with summary table T51.2 in chapter 5. Variances are calculated by dividing the difference between the actual and original budget by the actual							
Net expenditure to be consistent with summary table T51.2 in chapter 5. Variances are calculated by dividing the difference between the actual and original budget by the actual							

Capital Expenditure 2011/12; Electricity Services					R '000	
Capital Projects		Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total project value
2011/12						
Total All		17,862	11,962			
Verfontein D(570)		7,125				
Mmakosha(50)		625				
Mashite(15)		187				
Setlamoswane(200)		2,500				
Ga-Moraba(20)		250				
Brooklyn(208)		2,600				
Tjatane(150)		1,875				
Diphagane (90)		1,200				
Highmast						
Tshehlwaneng taxi rank		500				
Highmast Jane rank						
Furse taxi rank		500				
Highmast Glen						
Cowie four-way stop		500				
Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate)						
T3.3.8						

Employees; Electricity Services					
2010/11			2011/12		
	No.	Employees	Posts	Employees	Vacancies (fulltime equivalents)
			No.	No.	No.
2		2	1	1	33.3%
1		1			

The municipality is not licenced to supply electricity. All electrification projects that are implemented by themunicipality are ceded to Eskom for operation and maintance.

### 3.2 WASTE MANAGEMENT (THIS SECTION TO INCLUDE: REFUSE COLLECTIONS, WASTE DISPOSAL, STREET CLEANING AND RECYCLING)

#### INTRODUCTION TO WASTE MANAGEMENT

The Municipality has been assisted by the service provider on refuse removal for the past three financial years. There is partial formal refuse removal service rendered by Provincial Government on behalf of the municipality rolling-out collection at Municipal nodal points and all the waste are been disposed at the Municipal Land fill site. The Municipality does not have household or street collection of waste. The majority (88%) of the population utilize their own dumps for this purpose. These dumps are usually located within the individual household property. This has to date posed serious challenges on waste management because very little budget was allocated for waste management. In 2011/12 public consultations of waste management by-law were held and the process towards promulgation will continue through 2012/13.

Makhuduthamaga Municipality is planning to roll out waste management through EPWP approach in the financial year 2012-2013 using its own waste management equipments and system. The EPWP approach to waste management in Makhuduthamaga as forward planning is aimed at achieving the following objectives.

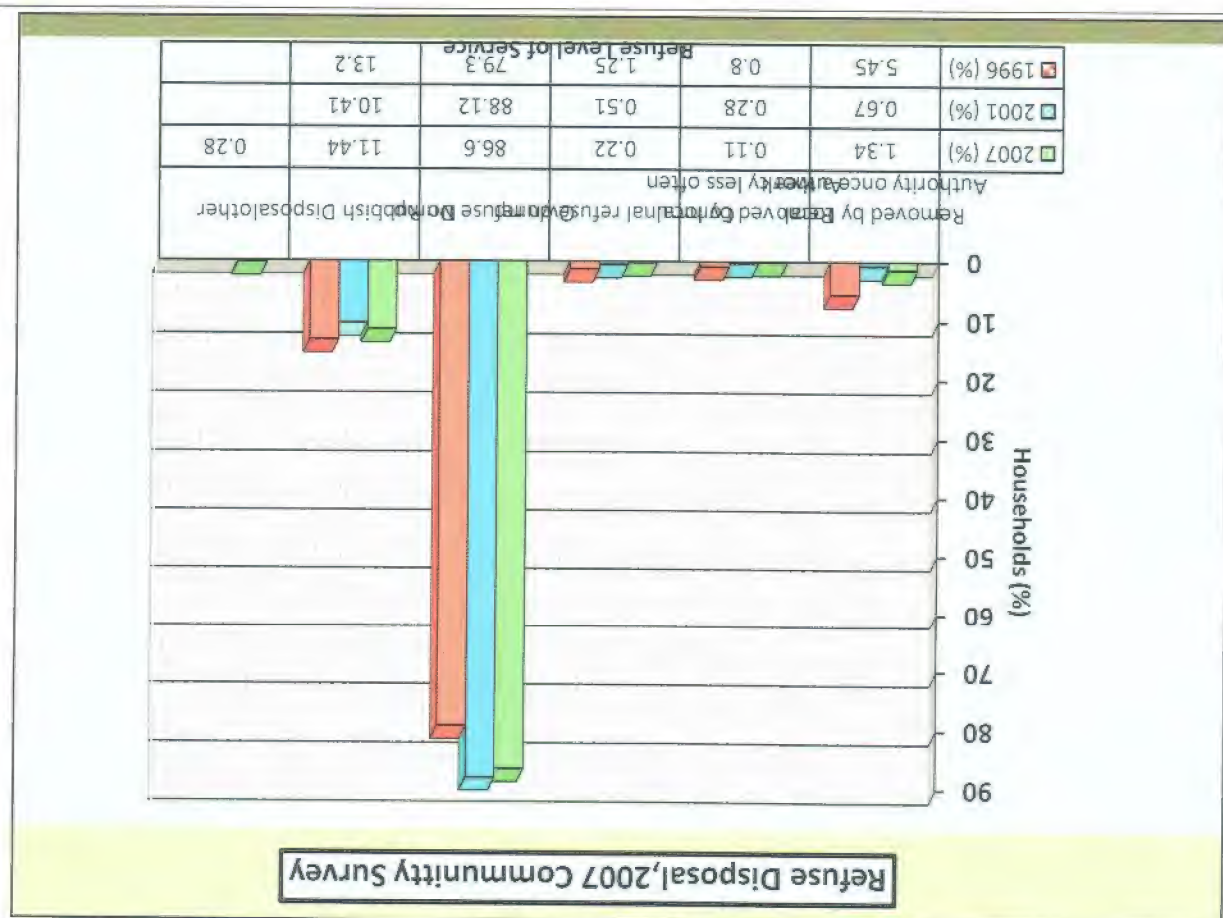
- ✓ Promotion of a healthy , clean and safe environment
- ✓ Create awareness to communities about waste management and its hierarchy
- ✓ Job creation through Expanded Public Works Programme
- ✓ Adhere to ministerial determination and all policies related to EPWP projects
- ✓ Promotion of innovation and creativity on waste recycling
- ✓ Competitive and cost effective waste collection and revenue generation

Households		Refuse Service Level					
		2007	2007(%)	2001	2001 (%)	1996	1996 (%)
Removed by local authority at least once a week	720	1.34	363	0.67	2677	5.45	
Removed by local authority less often	59	0.11	154	0.28	391	0.80	
Communal refuse dump	121	0.22	279	0.51	616	1.25	
Own refuse dump	46 467	86.6	47758	88.12	38945	79.30	
No rubbish disposal	6 137	11.44	5643	10.41	6485	13.20	



Financial performance 2011/12: Waste Management					
Details		2010/22	Original budget	Adjustment budget	Actual
					Variance to budget
Total operational revenue (excluding tariffs)					
Expenditure:					
Employees		18	324	324	304
Repairs & Maintenance					20
Other					
Total operational expenditure		1,490	5,950	3,950	2,866
Net operational (service) expenditure		1,508	6,274	4,274	3,170
Net expenditure to be consistent with summary table T51.2 in chapter 5. Variances are calculated by dividing the difference between the actual and original budget by the actual					1,284

T3.9.7



Total	53 654	100.00	54 198	100.00	49 114	100.00
Other	151	0.28				



3.3	FREE BASIC SERVICES AND INDIGENT SUPPORT
-----	--

INTRODUCTION TO FREE BASIC SERVICES AND INDIGENT SUPPORT

The Makhuduthamaga Municipality only provides Free Basic Electricity to the indigent. There is, however a need to review the indigent policy in the 2012/13 financial year. The municipality has set a target of 10000 beneficiaries to receive Free Basic Electricity in the 2011/12 financial year.

Free basic services to low income households		Number of households		Households earnings less than R1,100 per month		Total	
				Free basic water	%	Access	%
				Free basic sanitation	%	Access	%
				Free basic electricity	%	Access	%
				Free basic refuse	%	Access	%
2009/10				n/a	n/a	n/a	n/a
2010/11				n/a	n/a	n/a	n/a
2011/12				n/a	n/a	n/a	n/a
				10000	n/a	n/a	n/a

T3.6.3

[illegible]

## COMPONENT B: ROADS AND TRANSPORT

This component includes: roads; transport; and waste water (storm-water drainage).

### 3.4 ROADS, BRIDGES AND STORM WATER

#### INTRODUCTION TO ROADS, BRIDGES AND STORM WATER

The Municipality has developed a road master plan that specifies the conditions of the roads throughout the municipal area and further proposes a priority list for intervention. The municipality has the following related strategic objectives for the reporting period:

- To improve access to viable roads and facilitate tarring.
- To facilitate provision of storm water drainage for passable roads

These objectives were funded from the MIG and the Equitable Share, however the municipality needs more resources, both financial and human to be able to address the backlog as planned.

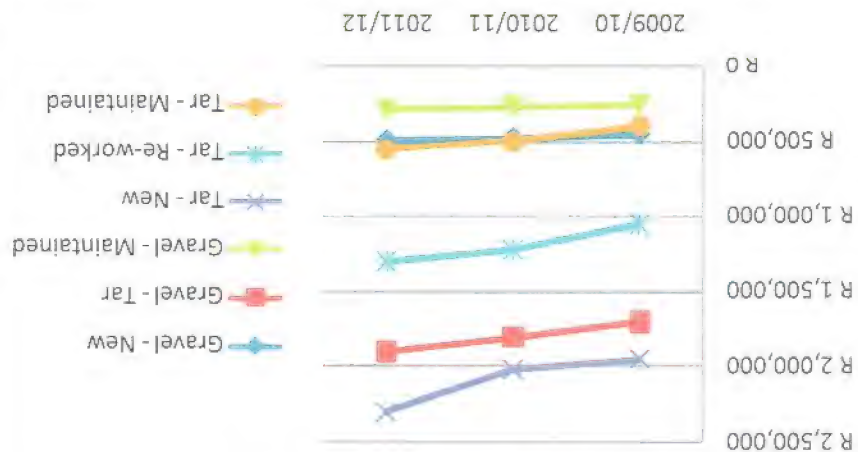
Gravel road infrastructure					
Kilometers					
Total gravel roads	New gravel roads constructed	Gravel roads upgraded to Asphalt	Gravel roads	Gravel roads graded/maintained	
2009/10	145	11	10	298	
2010/11	331	3	6	370	
2011/12	300	0	10	425	

Asphalted Road Infrastructure					
Total Asphalted roads	New asphalt roads	Existing asphalt roads	Existing asphalt roads re-sheeted	Asphalt roads maintained	
2009/10	6	6	0	0	
2010/11	6	6	0	0	
2011/12	10	10	0	0	

Cost of construction/maintenance					
R'000					
Gravel					
New	Gravel-Tar	Maintained	New	Re-worked	Maintained
2009/10	450000	23556	3000	23556	3000
2010/11	475000	25000	2000	25000	4000
2011/12	0	36000	5400	36000	2500



## Road Infrastructure costs



T3.7.5

Employees: roads, bridges and storm water services					
Job level	2010/11	2011/12			
	No.	Employees	Posts	No.	Vacancies (as a % of total posts)
0-3	1	1	1	1	
4-6	2	2	2	1	
7-9	3	3	3	1	
10-12	2	2	2	0	
13-15	0	0	0	0	
16-18	4	4	4	2	
19-20	1	1	1	1	
Total	13	13	13	6	

Totals should equate to those included in the chapter 4 total employee schedule. Employees and posts numbers are as at 30 June. \* Posts must be established and funded in the approved budget or adjustment budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. senior management) then dividing that total by 250 to give the number of posts equivalent to the accumulated days.

Financial performance 2011/12: Road, Bridges and Storm water Services					
Details	2010/11	2011/12			
	Actual	Original budget	Adjustment budget	Actual	Variance to budget
Total operational revenue (excluding tariffs)					
Expenditure:					
Employees	3,648	3,204	2,517	2,540	(23)
Repairs & Maintenance	7,207	10,182	15,682	13,372	2,310
Other	2,468	2,208	2,040	1,507	533
Total operational expenditure	13,323	15,595	20,239	17,420	2,820
Net operational (service) expenditure					

Net expenditure to be consistent with summary table T51.2 in chapter 5. Variances are calculated by dividing the difference between the actual and original budget by the actual



Capital expenditure 2011/12: Road, Bridges and Storm water Services					R'000	
Capital Projects	Budget	Adjustment	Actual Expenditure	Variance from original budget	2011/12	
					Total project value	
Total all	79,070	61,198	50,176	15,718		
Prior Year projects						
construction of access road to Madibela tribal office	3,800		3,035	764		
construction of access road to Sekwati tribal office	3,000		853	2,146		
construction of access road to Mochala tribal office	2,800		2,324	475		
construction of access road to Seopela tribal office	4,200		222	3,977		
construction of access road to Mangane tribal office	7,000		3,781	3,218		
construction of access road to Ga-Masemola tribal office	6,300		4,819	1,480		
construction of access road to Sekhukhune Traffic Station	3,200		2,683	516		
Completion of Mathibeng Access Bridge	1,500			1,500		
Feasibility study	1,000			1,000		
Access Road to Water Treatment Works at Riverside	2,486		3,226	(740)		
Construction of Madibong Roads and Storm water	9,692		1,197	8,495		
Kalatong To Jane-Furse cemetery road	4,548		3,890	658		
Malla Mapitsane(Mokadi) Bridge	3,420		2,797	622		
Mochloding/Molebeledi Bridge	4,251		3,311	939		
Sehuswane/Makhutso Bridge	4,251		2,020	2,230		
Dikatsone/Malaka Bridge	3,800		4,078	(278)		
Rehabilitation and expansion of R579 Jane-Furse to Nebo road and old hospital to new hospital	3,000		1,776	1,223		
Other assets	10,820	5,020	5,460	441		
Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate)					13,79	

## COMPONENT C: PLANNING AND DEVELOPMENT

This component includes: planning; and local economic development.

### INTRODUCTION TO PLANNING AND DEVELOPMENT

The long term goal of the municipality is to promote LED through coordination and facilitation of local, provincial and national initiatives. The following economic development sectors were prioritised during the reporting period: Agriculture, tourism, with particular emphasis on funding coordination and SME development.

The challenges experienced with physical planning relate to land ownership and control. There is a high level of land invasion by communities and the allocation of land by traditional Authorities disregard the proposals in the Spatial Development Framework

### 3.5 PLANNING

#### INTRODUCTION TO PLANNING

Main strategies	Challenges	Achievements
Engage DLGH, and Traditional authorities on land use issues to create a conducive environment for sustainable development	land invasion	1 land use summit held
Enforcement and implementation of land development policies	non compliance with the SDF proposals	none
Stakeholder engagement for easy and prompt land acquisition	Municipality does not have adequate land for development	1 traditional authority committed to allocate 126 ha of land for development

Applications for Land Use Development						
Detail	Formalization of Townships	Rezoning	Built Environment	2010/11	2011/12	2010/11
Planning application received	5	3	NONE	NONE	N/A	N/A
Determination made in year of receipt	1	0				
Determination made in following year	0	0				
Applications withdrawn	0	0				
Applications outstanding at year end	4	3				



Planning policy objectives taken from IDP											
Service Objectives	Outline	2010/11		2011/12		2012/13		2013/14		Target	Target
		Actual	Target	Actual	Target	Actual	Target	Actual	Target		
Service Indicators (i)	(iii)	*Previous year	(iv)	*Previous year	(vi)	*Current year	(viii)	*Current year	(ix)	*Current year	(x)
		To ensure improved Land Use Management	1 Land Use summit	1 Land Use summit	1 Land Use summit	to hold 1 Land Use summit	1 Land Use summit	1 Land Use summit			
Service Indicators (ii)	(iii)	To ensure land acquisition for infrastructure and development	number of hectares acquired	n/a	n/a	1 traditional authority agreed to avail 126 ha					
		to ensure the creation of sustainable environment and land use management	1 village planned	number of villages demarcated	500	1 village demarcated	1 village planned	Facilitation and completion of planned and demarcated	1 village planned		

employees: Planning Services						
Job level	2010/11	2011/12				
0-3	Employees	No.	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
		1	1	1	0	
		2	2	2	0	
4-6						
7-9						
10-12						
Total		3	3	3	0	



### 3.6 LOCAL ECONOMIC DEVELOPMENT (INCLUDING TOURISM AND MARKET PLACES)

#### INTRODUCTION TO ECONOMIC DEVELOPMENT

The long term goal of the Makhuduthamaga municipality is to promote LED through coordination and facilitation of local, Provincial and national economic initiatives. The Municipality prioritised agriculture, and tourism with particular emphasis on funding coordination and SME development.

#### The municipality supported the following projects under the SME Support project

Segwaheng Stone Crushing	The project was supported with a borehole, two jojo tanks (5000 ltr each) and water pump machine.
Moresele poultry	Erection of poultry house, borehole, water pump machine, jojo tank and stand
Mabodibeng dairy farming	The project was funded with a borehole, two jojo tanks (5000 ltr each) and water pump machine.
Seredibeng ma Africa co op	The project was supported with a borehole, two jojo tanks (5000 ltr each) and water pump machine.
Apel cross hawkers	The project was supported with a borehole, two jojo tanks (5000 ltr each) and water pump machine.

Job level	2010/11	Employees	No.	Posts	No.	Employees	No.	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
0-3	1	1	1	1	n/a	0	0		
4-6									
7-9	2	2	2	2		0	0		
10-12									
13-15									
16-18									
19-20									
Total	3	3	3	3		0	0		

#### Financial performance 2011.12: Local Economic Development services

Details	2010/11	Actual	Original budget	Adjustment budget	Actual	Variance to budget
Total operational revenue (excluding tariffs)						
Expenditure:						
Employees	1,761	4,499	2,986	2,355	632	
Repairs & Maintenance						
Other	1,270	3,300	1,816	1,140	676	
Total operational expenditure	3,031	7,798	4,802	3,495	1,307	
Net operational (service) expenditure						

#### Capital expenditure 2011/12: Local Economic Development Services

Capital Projects	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total project value
Total all	1,500	1,000	200	800	0
Project A	0	0	0	0	0

Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate)

## COMPONENT D: COMMUNITY AND SOCIAL SERVICES

### INTRODUCTION TO SPORT AND RECREATION

Makhuduthamaga Municipality does not have Sport and Recreation Policy and an official dedicated for sport and recreation for the past three financial years there were no major capital projects established by the Municipality. The existing infrastructure on sports and recreation was as a result of inter-governmental relations intervention and donations from other sports related institutions. In 2009/10 the Municipality received a donation from SAFA and Lottery for the erection of Artificial Turf in Jane worth 7 million rand.

The IDP strategic objectives on Sport and Recreation are:-

- Develop a policy framework for the governance of sport at local level that is in concert with the national and provincial sport and recreation policy.
- Make sport and recreation accessible to all people in the local area.
- Facilitate the establishment of the broad inclusive Municipal sports council to facilitate sports and recreation in the Municipality
- Create the infrastructure required for the delivery of sport and recreation given that the club is the basic unit of sport and recreation, the local authorities are an important link in the value chain.
- Ensure the existence of programs that develop the human resource potential in sport and recreation.
- Effect international agreements in concert with provincial government, as reached by National government for the purpose of sharing technology, skills transfer and the development of sport and recreation

## 3.7 CHILD CARE; AGED CARE; SOCIAL PROGRAMMES

Employees: Child Care, Aged Care, social programmes						
Job level	2010/11	2011/12				
	No. Employees	No. Posts	No. Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)	
0-3						
4-6						
7-9	2	4	2	0	50%	
10-12	0	2	0	2	100%	
13-15						
16-18						
19-20						
Total	2	6	2	2		

Financial performance 2011.12: Community and social services



Above all the Executive Committee must do anything else that is within its legislative and executive competency.

- > Preparing, approving and implementing its budget.
- > Services in terms of section 78 of the Municipal System Act 32 of 2000.
- > Provision of municipal services to the local community or appointing service providers for provision of
- > Establishing and maintaining an administration to run the affairs of the council on daily basis.
- > Developing and adopting policies, plans, strategies and programmes for service delivery purposes.

The Executive Committee exercise its authority by:

The legislative authority of the council lies in its **Executive Committee** in terms of the Municipal System Act no.32 of 2000, chapter 3 subsection 11 subject to section 59.

It is in its rights to do anything reasonably necessary for the effective performance of its duties. structures act.

The **Municipal Council** has the functions and powers conferred or assigned to it in terms of the constitution as mentioned above, and must exercise these functions subject to chapter 5 of the municipal

oversees general management and functioning of the council. Act 108 of 1996 subsection 157(1)a. The executive committee is the principal committee of council which oversees general management and functioning of the council.

### INTRODUCTION TO EXECUTIVE AND COUNCIL

This component includes: Executive office (Mayor, Councilors, and Municipal Manager).

### 3.8 EXECUTIVE AND COUNCIL

#### INTRODUCTION TO CORPORATE POLICY OFFICES, ETC

This component includes: corporate policy offices, financial services, human resource services, ICT services, property services.

### COMPONENT E: CORPORATE POLICY OFFICES AND OTHER SERVICES

Details	2010/22	Actual	Original budget	Adjustment budget	Actual	Variance to budget
Total operational revenue (excluding tariffs)						
Expenditure:						
Employees	5,427					
Repairs & Maintenance	534	500	5,810	5,703	107	
Other	1,403	2,545	1,722	566	(66)	
Total operational expenditure	7,364		12,588	8,032	7,511	521
Net operational (service) expenditure						
Net expenditure to be consistent with summary table T5.1.2 in chapter 5. Variances are calculated by dividing the difference between the actual and original budget by the actual						
						13,917

R'000



## SERVICE STATISTICS FOR THE EXECUTIVE AND COUNCIL

T3.69.2

Employees: The Executive and Council						
Job level	2010/11	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
0-3	0	0	0	0	0	0%
4-6	0	0	0	0	0	0%
7-9	49	42	42	0	0	0%
10-12	07	14	14	0	0	0%
13-15	3	3	3	0	0	0%
16-18	1	1	1	0	0	0%
19-20	1	1	1	0	0	0%
Total	61	61	61	0	0	0%

Totals should equate to those included in the chapter 4 total employee schedule. Employees and posts numbers are as at 30 June. \* Posts must be established and funded in the approved budget or adjustment budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. senior management) then dividing that total by 250 to give the number of posts equivalent to the accumulated days.

Financial performance 2011.12: The Executive and Council						
Details	2010/11	Actual	Original budget	Adjustment budget	Actual	Variance to budget
Total operational revenue (excluding tariffs)						
Expenditure:						
Other Employees	17,562		20,273	18,674	17,411	1,263
Repairs & Maintenance						
Other	8,388		7,930	9,032	8,707	325
Total operational expenditure	25,950		28,203	27,706	26,118	1,588
Net operational (service) expenditure						
Net expenditure to be consistent with summary table T51.2 in chapter 5. Variances are calculated by dividing the difference between the actual and original budget by the actual						

### 3.9 FINANCIAL SERVICES

#### INTRODUCTION FINANCIAL SERVICES

One of the most important objectives underpinning the MFMA is the development of the sound financial governance within every municipality. Governance is built around the responsibilities of accountability and oversight requiring a culture of transparency and regular reporting. It is a requirement in terms of MFMA chapter 12 that every municipality must for each financial year prepare an annual report in accordance with this chapter.

Financial services sets out targets and priorities the following:

- > Unbundling of assets.
- > Compliance in terms of legislations.
- > To achieve clean audit on or before 2014 as a national target.
- > Address all previous audit findings.

#### Measures taken to improve performance:

> We ensured that the quality Annual Financial Statements are submitted to Auditor General South Africa in time

> The Audit Committee reviewed the AFS before the submission. Refer to chapter six of this report for the set of Annual Financial Statements.

> All the section 71, 72, 52 of MFMA and other reports as required by legislations were submitted on time.

> We have appointed qualified engineer and Chartered Accountant to assist with the unbundling of assets.

> We have prepared the Annual Financial Statements internally hence quality AFS were submitted to AGSA on time.

addressed.

#### Major efficiencies achieved:

> Since the inception of the municipality, we were obtaining disclaimer opinion but for 2011/2012 we have improved by obtaining qualified audit opinion.

> The qualified opinion is obtained with matters of new audit findings. That is,

1. Review of residual values in terms of movable assets.

2. Impairment of debtors.

3. Irregular expenditure Commitments.

Refer to chapter six of this report for more information

Debt recovery									
Details of the types of account raised and recovered	2009/10		2010/11		2011/12		Estimated proportion of accounts billed that were collected %	Estimated outturn for accounts billed in year	Estimated proportion of accounts billed that were collected %
	Actual for accounts billed in year	Proportion of accounts value billed that were collected in the year %	Billed in year	Actual for accounts billed in year	Proportion of accounts value billed that were collected %	Billed in year			
Property Rates	R 17,956,005	15%	R 24,906,459	R 24,906,459	29%	R 41,358,051	R 41,358,051	20%	
Electricity – B	-	-	-	-	-	-	-	-	-
Electricity – C	-	-	-	-	-	-	-	-	-
Water – B	-	-	-	-	-	-	-	-	-
Water – C	-	-	-	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-	-	-
Refuse	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
B-Basic, C-Consumption. See chapter 6 for the Auditor General's rating of the quality of the financial Accounts and the systems behind them									
T3, T0, T2									



The municipality started to bill property rates from 1<sup>st</sup> July 2009.

T3.70.2.1

Employees: Financial Services					
2010/11			2011/12		
No.	Employees	Posts	No.	Employees	Vacancies (fulltime equivalents)
					Vacancies (as a % of total posts)
3	3	3	0	3	0%
8	13	13	8	10	3%
10	13	10	3	5	3%
1	3	1	2	3	2%
1	1	1	0	2	1%
				0	0%
21	33	21	10		8%

Totals should equate to those included in the chapter 4 total employee schedule. Employees and posts numbers are as at 30 June. \*Posts must be established and funded in the approved budget or adjustment budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. senior management) then dividing that total by 250 to give the number of posts equivalent to the accumulated days.

T3.70.4

Financial performance 2011/12: Financial Services					
2010/22			2011/12		
Actual	Original budget	Adjustment budget	Actual	Variance to budget	Variance to budget
(123,768)	(154,198)	(149,808)	(142,184)	(7,624)	
Total operational revenue (excluding tariffs)					
Expenditure:					
Other Employees	1,954	8,215	7,064	5,842	1,222
Repairs & Maintenance	199	500	1,300	1,827	(527)
Other	22,071	11,282	47,270	44,551	2,719
Total operational expenditure	24,224	19,997	55,634	52,220	3,414
Net operational (service) expenditure	(99,544)	(134,202)	(94,174)	(89,964)	(4,210)
Net expenditure to be consistent with summary table T51.2 in chapter 5. Variances are calculated by dividing the difference between the actual and original budget by the actual					

T3.70.5

Capital expenditure 2011/12: Financial Services					
2011/12			2011/12		
Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total project value	R'000
900	1,500	1,514	(14)	0	
Total all					
Project A	0	0	0	0	
Project B	0	0	0	0	
Project C	0	0	0	0	
Project D	0	0	0	0	
Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate)					

T3.70.6

### 3.10 HUMAN RESOURCE SERVICES

#### INTRODUCTION TO HUMAN RESOURCE SERVICES

Human resource services is an integral part of any organisation or institution. It has three sub-functions that are human resource management, development and employee relations. It focuses on the following:

1. Human resource management .
  - > Employee benefits and allowances.
  - > Conditions of service.
  - > Recruitment and selection.
  - > Employment equity
2. Human resource development.
  - > Employee training and development.
  - > Institutional capacity building.
  - > Municipal bursary
3. Employee relations.
  - > Labour relations.
  - > Employee wellness.

#### COMMENT ON THE PERFORMANCE OF FINANCIAL SERVICES OVERALL:

##### Revenue:

The actual income for the 2011/2012 financial year is 4 percent lower than the budgeted amount of R191.2 million. The variance is due to the fact that one traffic station was not in full operation during the year while we expected the two traffic stations to be in full operation during the financial year.

##### Expenditure:

The actual expenditure for the 2011/2012 financial year is 8% lower than the budgeted amount of R154.7 million. The variance is due to:

- Impairment of government debtors which was not implemented as this debtors are state entities and will be able to pay and
- Vacancies which were budgeted for but not filled during the financial year.

13.70.7



**Achievements**

- > Human resource development has increased the number of employees who were trained as compared to the previous year.
- > it has hosted a successful awareness day on employee wellness.
- > Continues increase in the number of new bursary holders as compared to the prior years to reduces the high rate of unemployment and illiteracy challenges.

**Achievements**

- > Human resource development has increased the number of employees who were trained as compared to the previous year.
- > it has hosted a successful awareness day on employee wellness.
- > Continues increase in the number of new bursary holders as compared to the prior years to reduces the high rate of unemployment and illiteracy challenges.

SERVICE STATISTICS FOR HUMAN RESOURCE SERVICES

Human Resource Services Policy objectives taken from IDP										
Service Objective	Outline	2010/11		2011/12		Actual	2012/13			2013/14
		Target	Actual	Target	Actual		Target			
Service Indicators (i)	(ii)	(iii)	*Previous year	(iv)	(v)	*Previous year	(vi)	(vii)	*Current year	(viii)
			*Current year	(ix)		*Current year	(x)			
			Target			Target			Target	
			Actual			Actual			Actual	
			2010/11			2011/12			2012/13	
		(iii)	*Previous year	(iv)	(v)	*Previous year	(vi)	(vii)	*Current year	(viii)
			*Current year	(ix)		*Current year	(x)			
			Target			Target			Target	
			Actual			Actual			Actual	
			2010/11			2011/12			2012/13	

Service objective: Strengthen institutional efficiency and governance to ensure effective service delivery in the municipality.

Develop

None

Install

Install

None

SCM

Ensure

Service objective	Develop	Develop	None	Install	Install	None	SCM	Other
Service objective: strengthen institutional efficiency and governance to ensure effective service delivery in the municipality.								

[illegible]

SALGA job evaluation in place.	HR policies reviewed & adopted by Council.	Bursary management policy in place.	Bursary fund strategic plan implemented	ATR & quarterly reports implemented WSP.	Train all staff members.	All staff & Councilors must be trained. 95% of staff trained according to job descriptions	Learnship provisions for developed and implemented.	OHS committee functional and policy available.
Monitor & SALGA job evaluation	Implementa	Develop and adopted HR policies.	Implement HR strategy.	10 bursaries to be awarded.	Quarterly WSP/ATR submitted to Lgeseta on 30/06/2011	All staff & Councilors must be trained. 95% of staff trained according to job descriptions	Make provisions for mandatory and voluntary internships.	Develop OHS policy
Process abandoned.	None.	None.	None.	6 bursaries awarded.	2011/12 WSP/ATR submitted to Lgeseta quarterly report.	60% staff trained. 95% of staff trained according to job descriptions	4 Finance internships employment plan for learnerships.	None
Job evaluation	Review HR policies.	Create HR strategy.	Manage municipal bursary fund.	Implement bursary fund strategic plan.	Annual WSP & Training/quarterly report.	Staff training and development.	Develop a policy & plan for learnerships.	Develop OHS policy.
To implement wage curve	Review HR policies.	None	Manage municipal bursary fund.	Implement bursary fund strategic plan.	Annual WSP & Training/quarterly report.	Staff training and development.	Develop a policy & plan for learnerships.	Develop OHS policy.
Process failed.	None.	None	All fund's financial commitments were met.	Bursary committee had 1 strategic meeting.	WSP & Training/quarterly report.	60% of Councilors & staff trained.	Draft policy in place	Draft policy in place.
None.	None.	None	Budget allocated fully.	Bursary committee met once.	WSP & Training/quarterly report.	100% of Councilors & staff trained.	None	Compliance with OHS and risk assessment report
Conduct staff reengineering results.	Review	HR policies annually	Create HR strategy.	Increase amount of fund.	To implement the plan entirely.	Implement WSP annually	Adopt policy	20 fire extinguishers serviced 02 fire extinguishers installed. 10 smoke detectors installed. 01 evacuation drill performed
Implement	Ensure compliance to HR policies.	Reviewed policies.	Implement HR strategy.	Monitor utilisation of funds.	To review strategic plan.	Update WSP annually	Review and adopt policy	100% compliance to OHS.



Employees: Human Resource Services											
Job level	2010/11	2011/12									
Job level	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)						
0-3											
4-6	1	1	1	0	0%						
7-9	1	4	3	1	0.6%						
10-12	3	4	3	1	0.6%						
13-15	1	2	1	1	0.6%						
16-18	1	1	1	0	0%						
19-20											
Total	6	8	6	2	1%						

Totals should equate to those included in the chapter 4 total employee schedule. Employees and posts numbers are as at 30 June. \*Posts must be established and funded in the approved budget or adjustment budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. senior management) then dividing that total by 250 to give the number of posts equivalent to the accumulated days.

13.71.4

Notes: this stream should include no more than the top four priority service objectives. The indicators and targets specified above (column (i) and (ii)) must be incorporated in the indicator set for each municipality to which they apply. These are universal municipal indicators. Previous year refers to the targets that were set in the 2010/11 Budget/IDP round. Current year refers to the targets set in the 2011/12 Budget/IDP round. Following year refers to the targets set in the 2012/13 Budget/IDP round. Note that all targets in the IDP must be fundable within approved budget provision. MSA 2000 chapter 5 sets out the purpose and character of IDP and chapter 6 sets out the requirements for the reduction of performance management arrangement by municipalities in which IDPs play a key role.

[illegible]

T3.72.1

**Major Achievements:**

- > All ICT systems are always available to speed up service delivery, e.g. financial system, e-mails and internet.
- > Municipal date is backedup electronically for information security.

- > ITC steering committee has been established with the assistance of COCSTA.
- > A budget has been made available for the ITC system support and maintenance.
- > Service providers have been appointed for managing backups.

**Measure taken to improve performance:**

- > Information security and availability.
- > Access to information through LAN and WAN for municipal employees to speed up service delivery.

**ITC services sets out targets and priorities the following:**

ICT can be better leveraged to effective administration service delivery and socio economic development and are therefore integral to the functionality of any well run Municipality. In terms of the crucial role ICT play the focus area are internal ICT system process and infrastructure. ICT has become an integral part of doing business today, it cuts across all aspect components and process in the municipality.

**INTRODUCTION TO INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES**

This component includes: Information and Communication Technology (ICT) services.

**3.11 INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES**

Details	2010/22	2011/12			Variance to budget
		Actual	Original budget	Adjustment budget	
Total operational revenue (excluding tariffs)	0	0	0	0	0
Expenditure:					
Other Employees	5,913	7,760	7,558	6,442	1,116
Repairs & Maintenance	0	0	0	0	0
Other	12,823	15,620	21,729	17,378	4,351
Total operational expenditure	18,736	23,380	29,287	23,820	5,467
Net operational (service) expenditure					
Net expenditure to be consistent with summary table T51.2 in chapter 5. Variances are calculated by dividing the difference between the actual and original budget by the actual					

T3.71.5

7



ICT Services Policy objectives taken from IDP										
Service Objectives	Outline	2010/11		2011/12		2012/13	2013/14	Target	*Following year	(x)
		Actual	Target	Actual	Target					
Service indicators (i)	Service (ii)	s (iii)	*Previous year	(iv)	*Current year	(v)	(vi)	*Current year	(viii)	(ix)
			*Previous year	(iv)	*Current year	(v)	(vi)	*Current year	(viii)	(ix)
			*Previous year	(iv)	*Current year	(v)	(vi)	*Current year	(viii)	(ix)
			*Previous year	(iv)	*Current year	(v)	(vi)	*Current year	(viii)	(ix)
			*Previous year	(iv)	*Current year	(v)	(vi)	*Current year	(viii)	(ix)
Service objective: ensure provision of adequate and reliable information management system										

[illegible]

Strengthen institutional efficiency and governance to ensure effective delivery in the municipality.	Install and maintain intranet	Develop preventive maintenance plan on IT infrastructure	To develop IT policies	Procure and install IT equipments	Design master system plan (MSP)	Connect for Corporate APN	Register with DBSA for LG-NET connectivity	Upgrade current telephone system to Telkom	Site office connectivity	Implement be archived and it will implement	Other connected to the main	Procurement system of backup	Service system for backup	Install and maintain fire detector system
the actual performance for this target is none as LAN restructuring has to be done first			Draft policies in place	ICT equipments procured	Master plan in place		The project is complete	The research analysis has been done	The project was not archived and it will implement	Municipality is using	Procurement and installation appointed provider	Service provided by council	Website management done	Install and maintain fire detector system
and renewal of software and licensed Fire wall	Procurement of copiers and printers	Leasing of Copier and leased printers	Increasing of network access points for the main office	ICT infrastructure	ICT system and infrastructure maintenance SLA	Maintenance SLA fire detector maintained	Design MSP and DRP	ICT Training attended	Procurement and installation appointed provider	ICT Training attended	Service provided by council	Website management done	Install and maintain fire detector system	VPN establishment
			None		Budget cuts		DRP maintained	Renew ICT software's and SLA	Website management done	Install and maintain fire detector system				

Office in the next financial year	Upgrade financial year (2011/12)	The research analysis has been done by Budget and treasury	Signing of SLA with SITA for website management	SLA is in place and signed	NO SLA with SITA signed	Website and internet maintenance	Website management maintained	Installation of network infrastructure is completed	Site office connectivity	Maintenance of ICT system	Upgrading Domain and ICT repairs
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## ORGANISATIONAL PERFORMANCE MANAGEMENT SYSTEM

### 1. LEGISLATIVE REQUIREMENTS

Section 40 of the Municipal Systems Act of 2000 (MSA), stipulates that Municipalities must establish mechanisms to monitor and review its Performance Management System (PMS) in order to measure, monitor, review, evaluate and improve performance at organisational, departmental and employee levels. Section 34 of the Municipal Systems Act further points out that the Integrated Development Plan (IDP) has to be reviewed on an annual basis, and that during the IDP review process the Key Performance Areas, Key Performance Indicators and Performance Targets be reviewed and this review will form the basis for the review of the Organisational Performance Management and Performance Contracts of Senior Managers.

The Municipal Planning and Performance Management Regulations (2001) stipulates that a "municipality's performance management system entails a framework that describes how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed, including determining the roles of the different role-players" (Chapter 3, Section 7, Municipal Planning and Performance Management Regulations, 2001).

Section 46 of the Municipal Systems Act (Act 32 of 2000), stipulates the following:-  
**"Annual Performance Reports"**

S 46. (1) A municipality must prepare for each financial year a performance report reflecting -

- (a) the performance of the municipality and of each external service provider during that financial year;
- (b) a comparison of the performances referred to in paragraph (a) with target set for and performances in the previous financial year; and

*(c) measures taken to improve performance.*

- (2) An annual performance report must form part of the municipality's annual report in terms of Section 121
- (3)(c) of the Municipal Finance Management Act."

## **2. INTRODUCTION**

The first performance management framework was adopted by the Makhuduthamaga Municipality in ----- . The framework is currently being reviewed and amended to align with the relevant Performance Management Regulations and Guidelines. The Performance Management function of Makhuduthamaga Municipality was strengthened through the development of a Performance Management Unit and the appointment of a PMS manager within the Economic Development and Planning Department during the 2011/12 Financial year.

During the 2011/2012 Financial year, the newly established Performance Management Unit prepared a new Performance Management Framework which was noted by Council, before public consultations.

The Municipal Council adopted the reviewed Service Delivery and Budget Implementation Plan on 27 February 2012, per resolution No 61 of 2011/12 and the SDBIP that was initially developed was no longer used.

## **3. PERFORMANCE MANAGEMENT PROCESS**

Key performance indicators have been refined in support of the municipality's development priorities and objectives as set out in the revised IDP framework and will remain for the duration of the IDP period for consistency in measuring and reporting on long term strategies and projects. Measurable performance targets with regard to each of these development priorities and objectives were established. Individual performance targets and performance plans were prepared in line with provisions prescribed in the Performance Regulations (Notice 805, published on 1 August 2006 in the official gazette) and signed by the Senior Managers (CFO and Director Corporate Services). These agreements are



implemented and aligned with the reviewed Service Delivery and Budget Implementation Plan as required in terms of the Municipal Finance Management Act.

Quarterly reports are submitted to the Municipal Manager, and discussed at the Senior Management meetings. These reports are further presented by Heads of Portfolios at the Quarterly Lekgotla, before being submitted to EXCO and Council.

Performance Evaluation Panels have also been established for the assessment of performance of the Managers directly accountable to the Municipal Manager per Council Resolution 16 of 17 August 2011.

#### **4. Auditing of Performance Information**

Section 45 of the Municipal Systems Act, 2000, requires that the results of performance measurements in terms of Section 41 (1)(c), must be audited as part of the internal auditing process and annually by the Auditor-General. All auditing must comply with section 14 of the Municipal Planning and Performance Management Regulations, 2001 (Regulation 796).

The Municipality has a fully functional internal audit unit, that performs the internal audit function within the municipality. As part of their scope, auditing of the Performance Management System and Audit of Performance Information will be performed in 2012/2013 and reports received for each quarter will be compiled in terms of the following:

##### **Quarter 1**

Review the functionality of the Performance Management System and management's compliance thereto.

##### **Quarter 2:**

Review scorecards on a test basis to supporting evidence on a sample basis; Record the system/systems (electronic and/or manual) that are used to generate the performance information and perform walkthrough testing to validate performance information); and Perform detailed testing on selected performance information.

**Quarter 3:**

Ensure compliance with the requirements of the PMS regulations for quarter 3.

**Quarter 4:**

Review scorecards on a test basis to supporting evidence on a sample basis; Perform detailed testing on selected performance information; and Ensure the accuracy and validity of the information included in the annual report based on the evidence inspected, on a sample basis.

## **6. ANNUAL PERFORMANCE INFORMATION**

The annual performance reporting on the 2011/2012 financial year has been completed and reflected in the Organisational Performance Scorecard in a table format. The Draft Organisational Performance report will be presented to the Auditor General for auditing together with the Annual Financial Statements on 30 August 2012. This Annual Performance Report (Tables) should be read in conjunction with the Makhuduthamaga Annual Report, including the Annual Financial Statements as well as Auditor General Report on the Annual Financial Statements and Performance Information for 2011/2012.

The following table reflects the organisational performance targets and achievements as reflected in the Integrated Development Plan, in relation to the achievements of the previous financial year as well as reflecting corrective measures to be taken in the 2012/2013 financial year in cases of under achievement:



# **ORGANISATIONAL PERFORMANCE SCORECARD 2011/2012**

**KPA 1: MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT**

No	Project	Measurable Objective	Performance Indicator	2010/2011 Baseline	2011/2012 Target	Target Achieved	Variance/Challenges	Corrective Action
1	Review of performance agreements and performance commitment	Ensure compliance with legislative prescripts	% progress in review	PMS strategy in place	100% review of performance agreement and performance commitment	Reviewed SDBIP signed by Mayor. 2 Performance agreements signed(CFO, DCS	NONE	NONE
2	Review of PMS Strategy	ensure compliance with legislative requirements	% progress in review of PMS strategy	PMS strategy in place	100% review of PMS Strategy	Reviewed PMS strategy noted by Council on 28 June 2012	None	Final Adoption by Council

No	Project	Measurable Objective	Performance Indicator	2010/2011 Baseline	2011/2012 Target	Progress	Variance/Challenges	Corrective Action
3	Customer care services	To ensure satisfactory service delivery	% progress in compilation of survey	New target	100% compilation of survey	Service provider appointed to develop service delivery charter. Customer care policy adopted by council 15 cases received and resolved.	survey incomplete due to financial constraints	To budget for the survey in the 2012/13 Financial year / Request COGHSTA to assist with the survey.




No	Project	Measurable Objective	Performance Measures	2010/2011 Baseline	2011/2012 Target	Target attained	Variance/ Challenges	Corrective Action
5	Annual reporting	To ensure compliance with legislative requirements	% progress in compilation of annual report	2009/10 annual report in place	100% compilation of 2010/11 annual report	2010/11 annual report compiled and approved by Council	None	None

No	Project	Measurable Objective	Performance Measures	2010/2011 Baseline	2011/2012 Target	Progress	Variance/ Challenges	Corrective Action
6	Time Management	To ensure effective time management	% progress in review of Time Management	new target	100% review of Time Management Framework	No progress due to Financial constraints	Budget cuts	To install electronic time management system in 2012/13 financial year

No	Project	Measurable Objective	Performance Measures	2010/2011 Baseline	2011/2012 Target	Progress	Variance/Challenges	corrective Action
7	Management of pensions funds	To ensure effective management of employee benefits	% progress in management of pensions	new	100% management of pensions.	Proper register is kept and updated monthly	None	None
No	Project	Measurable Objective	Performance Measures	2010/2011 Baseline	2011/2012 Target	Progress	Variance/Challenges	corrective action
8	Review of organizational structure	to ensure organizational efficiency	% progress in review of Organizational structure	2011/2010 Reviewed Organizational structure in place	Organizational structure reviewed and implemented	Organization al structure reviewed and adopted by council and implemented	None	N/A
No	Project	Measurable Objective	Performance Measures	2010/2011 Baseline	2011/2012 Target	Progress	Variance/Challenges	Mitigation/ Comments
9	Implementation of HR policy	To ensure compliance to HR policy and legislated prescripts	% progress in implementation of HR plan	NEW	100% implementation of HR Policy	Implementati on in progress	Inadequate capacity	Appointment of Key personnel
No	Project	Measurable Objective	Performance Measures	2009/2010 Baseline	2010/2011 Target	Progress	Variance/Challenges	Mitigation/ Comments
10	Job evaluation	New indicator	% progress in job evaluation,	SALGA wage curve in place	100% job evaluation implemented	SALGA finalized job evaluation	None	N/A

No	Project	Measurable Objective	Performance Indicator	2010/2011 Baseline	2011/2012 Target	Progress	Variance/ Challenges	Corrective Action
	Review HR policies	To improve efficiency of HR policies	% Progress in review of HR policies	HR policy in place	Adopted HR policies	HR policies approved by council	None	N/A
12	Implement HR Strategy	To ensure organizational efficiency	% progress in implementation of HR strategy	HR Strategy in place	100% review of strategy	None	Strategy to be developed	HR Strategy to be developed

No	Project	Measurable Objective	Performance Indicator	2010/2011 Baseline	2011/2012 Target	Target attained	Variance/ Challenges	Corrective action
13	Manage Municipal Bursary fund	Ensure efficiency of Bursary Fund	% progress in management of bursary Fund	Bursary policy in place	100% management of bursary fund	17 learners allocated bursary Report available	none	n/a



14	Review and implementation of bursary fund strategic plan	none	% progress in the review and implementation of strategic plan	Bursary policy in place	100% review and maintenance	Desk top report conducted and no changes required	None	N/A
15	Complete WSP Annual training and quarterly report	To ensure competent and skilled personnel	% progress in implementation of WSP training and quarterly reports	WSP in place	100% compilation of WSP training and quarterly reports	100% Target Achieved	N/A	N/A
16	Staff Training	To ensure competent and skilled personnel	% progress in WSP Implementation	WSP in place	100% implementation of WSP	100% prioritized training done	N/A	N/A
17	To create database for unemployed graduates	To offer in-service training to unemployed graduates	% progress in development of database	New Indicator	100% compilation of database	100% Implemented	n/a	n/a
18	To develop policy and plan for learnerships	To offer in-service training to unemployed graduates	% progress in development of policy and plan	New Indicator	100% development of policy and plan			

No	Project	Measurable objective	Performance indicator	2010/2011 Baseline	2011/2012 Target	Progress	Variance/ Challenges	corrective action
19	Development of OHS policy	To ensure employee safety	% progress in development of OHS policy	New Target	100% development of Policy	Policy developed	None	Policy to be approved by Council
20	develop employee wellness programme	To align employee wellness activities	% progress in development of programme	Employee wellness committee established- not in SDBIP	100% development of programme	programme developed	None	N/A
21	Establishment of Local Labour Forum	To effectively undertake labour matters	% progress in the establishment of LLF		100% Establishment of LLF	LLF Established	N/A	N/A

22	Review Employment Equity Plan	to ensure compliance with legislative prescripts	To ensure compliance with legislative prescripts	EEP in place	100% review of EEP	EEP reviewed on the 04/04/2012	None	N/A
23	Capacity building of Ward committees and Councilors	To ensure skilled and competent Ward committees	% progress in capacity building for Ward Committees	WSP in place	100% capacity building for ward committees	Target Achieved 60 Ward committees trained	Budget constraint	n/a
24	Capacity building For Ward Councilors	To ensure skilled and competent Councilors	% progress in capacity building for Ward Councilors	WSP in place	100% capacity building for Councilors	100% capacity building for	None	n/a

No	Project	Measurable Objective	Performance Indicator	2010/2011 Baseline	2011/2012 Target	Target Attained	Variance/ Challenge	corrective action
25	Procurement and renewal of Software licences	To improve ICT infrastructure and systems	% progress in renewal of software licenses	software licenses in place	Leasing of photocopiers and printers Procurement of software licenses ,increasing network access points,site offices connectivity	100%	None	N/A
26	Leasing of copiers and printers	To improve ICT infrastructure and systems	% progress in leasing	ICT Policy in place	100% leasing of copiers and printers	100%	NONE	N/A
27	increasing of network access points for the main buildings	To improve ICT infrastructure and systems	% progress in the upgrading of networks access point	ICT Policy in place	100% upgrading of network access points	80%	Incompatibl e network system	Network system to be upgraded
28	Repairs of ICT infrastructure assets	To improve ICT infrastructure and systems	% progress in the repairs of ICT infrastructure	ICT Policy in place	100% repairs of ICT Infrastructure	10% completed	Limited funds	To budget for project in 2012/13

29	ICT system and infrastructure maintenance SLA	To improve ICT infrastructure and systems	% progress in maintenance of ICT system	maintenance SLA in place	100% maintenance of infrastructure SLA	100%	NONE	N/A
30	Maintenance of SLA of Fire detector system	To improve ICT infrastructure and systems	% progress in development of SLA for fire detector system	New	100% development of fire detector system	100%	N/A	N/A
31	ICT Staff training	To improve ICT infrastructure and systems	% progress in training of staff	ICT policy in place	100% training of staff	100%	NONE	N/A
32	procure ICT infrastructure assets	To improve ICT infrastructure and systems	% progress in the procurement of ICT Assets	ICT policy in place	100% procurement of ICT assets	100%	NONE	N/A

No	Project	Measurable Objective	Performance Indicator	2010/2011 Baseline	2011/2012 Target	Target Attained	Variance/ Challenges	corrective action
33	Procure and install backup system	To improve ICT infrastructure and systems	% Progress in the installation of a backup system	ICT policy in place	100% installation of backup system	Service provider appointed	Completion of backup system installation outstanding	Management to Resolve this matter
34	site office connectivity	To improve ICT infrastructure and systems	number of site offices linked to main building	ICT Policy in place	3 site offices linked to main building	100% complete	n/a	n/a
35	Maintenance of telephone system	To improve ICT infrastructure and systems	% progress in maintenance of telephone system	ICT policy in place	100% maintenance of telephone system	100%	n/a	n/a
No	Project	Measurable Objective	Performance Indicator	2010/2011 Baseline	2011/2012 Target	Progress	Variance/ Challenges	Corrective Action
36	Implementation of filing plan	To ensure effective record keeping	% Progress in implementation of Filing plan	Policy and File plan in place	100% Implemented	80% of file plan implemented.	Inadequate Capacity	100% of File plan implemented



No	Project	Measurable Objective	Performance Measures	2010/2011 Baseline	2011/2012 Target	Progress	Variance/ Challenges	Corrective action
37	Development of PA/A manual	Ensure information management	PA/A manual developed	New indicator	100% development of manual	Target Achieved/Draft PA/A policy manual in place	Inadequate capacity	To be submitted to Council
No	Project	Measurable Objective	Performance Measures	2010/2011 Baseline	2011/2012 Target	Progress	Variance/ Challenges	corrective Action
38	Records management awareness campaign	To ensure effective record keeping	No of awareness campaigns	Policy and file plan in place	4 record management campaigns	No campaign held	Inadequate assistance from COGHSTA	Engagement of HRD for training and workshop
39	Implementation of the best practice model	None	% progress in implementation of best practice model	NEW	60% of best practice model	100% Implemented	None	N/a

## KPA 2: BASIC SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT

No	Project	Measurable Objective	Performance Measures	2010/2011 Baseline	2011/2012 Target	Progress	Variance/ Challenges	Corrective action
1	Construction of access road to Riverside water treatment works	To promote accessibility and mobility	% progress in construction of road	Road Master plan in place	100% Construction	Project at 75%	Scope change due to underground water challenges experiences	Contractor granted extension of time
2	Construction of Madihong road and storm water	To promote accessibility and mobility	% progress in construction of road	Road Master plan in place	100% construction	None	Realignment of road affected the fence of 1 household	Surveyor to put. Pegs to enable the contractor to move the fence
3	Kalafong to Jane Furse cemetery	To promote accessibility and mobility	% progress in construction of road	Road Master plan in place	100%	Physical progress 50%	Design change	To grant extension of time on the project
4	Construction of Maila Mapisane(Mokadi Bridge)	To promote accessibility and mobility	% progress in construction of Bridge	Road Master plan in place	100%	90% (major works completed	Earthworks	
5	Construction of Mchoding/Molebeleli (Bridge)	To promote accessibility and mobility	% progress in construction of Bridge	Road Master plan in place	100%	75%	The contractor is still casting wing wall	
7	Construction of Sehswane/Makhutjof ( Bridge)	To promote accessibility and mobility	% progress in construction of Bridge	Road Master plan in place	100%	90%	The contractor has completed a major works and busy with installation of guard rails and signs	
8	Construction of Dikaton/Malaka Bridge		% progress in construction of bridge	Road Master plan in place	100%	100%	None	n/a

No	Project	Measurable Objective	Performance Measures	2010/2011 Baseline	2011/2012 Target	Progress	Variance/Challenges	Corrective action
9	Feasibility studies for 12/13&13f	Ensure effective forward planning	% of project conducted feasibility study	The list of future plan projects	50%	13 project submitted and assessed	The reports were submitted late ,after the adoption of 2012/2013	Extension of scope of work

No	Project	Measurable Objective	Performance Measures	2010/2011 Baseline	2011/2012 Target	Progress	Variance/Challenges	Corrective action
10	Grading and maintenance of gravel roads	To ensure accessibility of various villages within the municipality	% progress on maintenance of roads	Existing graveled roads and internal streets	100% maintenance of the gravel roads	<u>Street/roads to graveyards and internal access roads are bladed</u>	Insufficient budget	Secure Municipal borrow pits
11	Purchasing of additional plants	To increase capacity to municipal plants	No of plants purchased	Asset register in place	2 TLB	2TLB	n/a	n/a
12	Rehabilitation and expansion of R579(Jane Furse-to-new hospital	To maintain quality and reduce traffic congestion	% progress in rehabilitation of road	Roads master plan in place	100% rehabilitation and expansion	50% done	Existing buildings on the road	
13	Maintenance of existing municipal plants	To ensure continued usability of plants	No of maintenance and services records	Asset register in place	Maintenance of plants	RGR maintains plants	Long period waiting for service provider to service the plants	Auctioning of existing plants



No	Project	Measurable Objective	Performance Measures	2010/2011 Baseline	2011/2012 Target	Progress	Variance/ Challenges	Corrective action
14	Construction of access road to Madhlaba Tribal offices(720 m)	Provide accessibility and mobility	% progress in construction of road	Road master plan	100%	<u>95%</u>	Not complete	The contractor has completed surfacing, concentrating on emergency turning lane.
15	Construction of access road to Sekwati Tribal Office(2Km)		% progress in construction of road	Road Master plan	100%	80%	Not complete	Kerbing and V drains not yet done
16	Construction of access road to Mchhala Tribal office(800m)		% progress in road construction	Road Master plan	100%	100%	None	None
17	Construction of access roads to Seopele Tribal office(1.1Km)		% Progress in construction of road	Road Master plan	100%	The contractor completed establishment	Traditional authority requested R50 00 for soil	
18	Construction of access road to Mangeneng(2.486 km)		% progress in construction of road	Road Master Plan	100%	65%	Extension to the next financial year	
19	Construction of access road Masemola Tribal		% progress in construction of road	Road Master plan	100%	75%	Slow progress by	

	office (2.7 KM)						Contractor and community demanding the construction of bridge	
20	Construction of access road to Sekhukhune Traffic Station	To promote accessibility and mobility	% Progress in construction of road	Road master plan	100%	75 %	Unavailability of surfacing contractors	None
No	Project	Measurable Objective	Performance Measures	2010/2011 Baseline	2011/2012 Target	Progress	Variance/Challenges	Corrective action
21	Allocation of FBE to indigents	To promote access to energy	No of indigents receiving the FBE	Indigent Register in place	10 000	9309 beneficiary configured and 7526 collected their tokens(Collection % @ 81.5%)	Indigent policy regulation on pensioners	Community Services to review the indigent policy and update the register
No	Project	Measurable Objective	Performance Measures	2010/2011 Baseline	2011/2012 Target	Progress	Variance/Challenges	Corrective action
24	Electrification of Vierfontein D(570)	To promote access to energy	% progress in the electrification of the village	Priority list	100%	90%	Obtaining permit for working at the Wet lands	Eskom final inspection
25	Sellaboswane(160 )		% progress electrification of the village	Priority list	100%	90%	Awaiting for Eskom for another Switch off	Switch off dates by Eskom ,house connections etc

							date	
26			% progress electrification of the village	Priority list	100%	70%	Extra 6 households to be connected	The contractor to connect old customers
27	Electrification of Masemola /Mabopane Manare		% progress electrification	Priority list	100%	80%	Stolen earthings cables	Completion of PCS file and As built drawing

No	Project	Measurable Objective	Performance Measures	2010/2011 Baseline	2012/2012 Target	Progress	Variance/ Challenges	Corrective Action
28	Installation of High Mast lights	To ensure community safety	% progress	New indicator	100% completion	Target Achieved 100 % progress	None	None
29	Electrification of Tjatane(150)	To ensure provision of energy	% progress in the electrification of village	Priority list	100% electrification of village	None	No capacity	
30	Electrification of Mosehia		% progress in the electrification of village		100% electrification of village	None	No capacity	



31	Electrification of Masanteng		% progress in electrification		100% electrification of village	None	No capacity	
32	Electrification of Diphagane village		% progress in electrification of village		100% electrification of village	100%	No capacity	None
No	Project	Measurable Objective	Performance Measures	2010/2011 Baseline	2011/2012 Target	Progress	Variance/ Challenges	Corrective action
33	Installation of high mast lights at Tshenlwane taxi rank	To ensure community safety	% progress in the installation of highmast.	New indicator	100%	<u>100%</u>	None	None
34	Phokwane Clinic		% progress in the installation of High mast	New indicator	100%	<u>None</u>	No capacity	None
35	Jane Furse taxi rank		% in progress in the installation of high mast	New indicator	100%	<u>100%</u>		
36	Glen Cowie Four way stop		% in progress in the installation of the High mast	New indicator	100%	<u>100%</u>		
37	Mamone Super		% in progress in installation of high mast	New indicator	100%	<u>None</u>	No capacity	
38	Maintenance of existing high masts, street lights and lights		% progress in maintenance of high mast lights	Asset register in place	100%	<u>As required</u>		

No	Project	Measurable Objective	Performance Measures	2010/2011 Baseline	2011/2012 Target	Progress	Variance/ Challenges	Corrective action
39	Complete Road and Storm water management plan	To promote proper management of projects	% progress in completion of road and storm water management plan	New indicator	100%	90%.	Relocation of street lights	

No	Project	Measurable Objective	Performance Measures	2010/2011 Baseline	2011/2012 Target	Progress	Variance/ Challenges	Corrective action
40	Maintenance of municipal buildings	To comply with relevant legislation(OHS)	% progress in maintenance of the buildings	Asset register	100% maintenance	80%	Lack of office space	Extension of municipal building
No	Project	Measurable Objective	Performance Measures	2010/2011 Baseline	2011/2012 Target	Progress	Variance/ Challenges	Corrective action
41	Upgrading and maintenance of libraries	To enhance efficiency of libraries	% progress in maintenance of libraries	Asset register in place	100%	None	Unavailability of the detailed municipal building plan	Request municipal plan from service provider
No	Project	Measurable Objective	Performance Measures	2010/2011 Baseline	2011/2012 Target	Progress	Variance/ Challenges	Corrective action
42	Extension municipal extension	To increase office space	% progress in expansion of offices	Design in place	100% finalization of the project	Project at adjudication stage	Validity period elapsed	The project to be re-advertised
No	Project	Measurable Objective	Performance Measures	2010/2011 Baseline	2011/2012 Target	Progress	Variance/ Challenges	Corrective action
43	Renewal and upgrading of traffic station	To ensure efficiency of traffic station	% progress in upgrading of traffic station	New indicator	100% upgrading of the stations	None	None	Community Services to submit the plans





No	Project	Measurable Objective	Performance Measures	2010/2011 Baseline	2011/2012 Target	Progress	Variance / Challenges	Corrective action
47	Reduction of soil erosion	To reduce land degradation	% progress implementation of storm water control	New indicator	100% storm water control and donga rehabilitation	None	Insufficient budget	None

No	Project	Measurable Objective	Performance Measures	2010/2011 Baseline	2011/2012 Target	Progress	Variance	Corrective action
48	LED Summit	To create information sharing platform for SMMEs	Number of events(LED Summit) held	New indicator	1 LED Summit	Partially Achieved 1 LED Summit held	None	None
No	Project	Measurable Objective	Performance Measures	2010/2011 Baseline	2011/2012 Target	Progress	Variance	Mitigation
49	Tourism exhibition	To promote local tourism products	No of sites acquired for exhibition centre	Tourism strategy in place	1 site	1 site secured	None	None
			No of tourism brochures produced		4 000 brochures	4000 brochures produced	None	None
No	Project	Measurable Objective	Performance Measures	2009/2010 Baseline	2010/2011 Target	Progress	Variance	Mitigation
50	Heritage	To celebrate local heritage	No of Heritage events held	New indicator	1 event	1	None	None

No	Project	Measurable Objective	Performance Measures	2010/2011 Baseline	2011/2012 Target	Progress	Variance	Mitigation
51	Investment and Marketing strategy implementation	To attract investments	% progress in the implementation of the strategy	Investment and marketing strategy in place	100% Implementation	None	None	None

No	Project	Measurable Objective	Performance Measures	2010/2011 Baseline	2011/2012 Target	Progress	Variance	Mitigation
52	SMMES support	To offer support to emerging SMMES	No of SMMES supported	SMMES support policy in place	10 SMMES	1	None	None

No	Project	Measurable Objective	Performance Measures	2010/2011 Baseline	2011/2012 Target	Progress	Variance	Mitigation
53	Repairs and Maintenance	To ensure good conditions of assets	No of properties maintained	-Asset register in place	All assets	All assets repaired as and when required	No maintenance plan	Have maintenance plan for all assets

No	Project	Measurable Objective	Performance Measures	2010/2011 Baseline	2011/2012 Target	Progress	Variance	Corrective action
54	Audit 2011/2012	Clean Audit	No of queries raised to be addressed	2010/2011 audit report	100% queries addressed	96% queries addressed	Long period of acting in senior positions Movements of assets Management of leaves	Expediting the filling of posts Software leave management
No	Project	Measurable Objective	Performance Measures	2010/2011 Baseline	2011/2012 Target	Progress	Variance	Corrective action
55	Finance management grant programmes	To utilize MSIG as per DORA	% progress in the implementation of FMG	Financial Management Grant in place	100%	100 % utilization of the Grant	None	Full utilization of the Grant in 2012/2013
			Budget (R)					
No	Project	Measurable Objective	Performance Measures	2010/2011 Baseline	2010/2011 Target	Progress	Variance	Corrective action
56	Professional membership		% progress in affiliation of staff members		100 % affiliation	None	None	None

No	Project	Measurable Objective	Performance Measures	2010/2011 Baseline	2011/2012 Target	Progress	Variance/ Challenges	Corrective action
57	MSIG	To improve financial management system	% progress in the implementation of MSIG	Improved financial system in place	100% spending of the MSIG	Target Achieved	None	None



No	Project	Measurable Objective	Performance Measures	2010/2011 Baseline	2011/2012 Target	Progress	Variance/ Challenges	Corrective action
58	Finance Charges	To improve financial viability	% of the amount paid to bank charges	The ABSA account incur charges	100%	83 % spend	None	To spend in line with the budget.
No	Project	Measurable Objective	Performance Measures	2010/2011 Baseline	2011/2012 Target	Progress	Variance/ Challenges	Mitigation
59	Water and electricity	Provide requisite support to council	Monthly payments of services	Payment to Sekhukhune district municipality for water & Eskom for electricity	Payment of service providers on time on monthly basis	Service providers are paid within due dates upon the receipt of the tax invoice	Lack of water	Technical services to ensure the smooth running of water system

No	Project	Measurable Objective	Performance Measures	2010/2011 Baseline	2011/2012 Target	Progress	Variance/Challenges	Corrective action
60	Plant and Municipal vehicles: Fuel and oil	To ensure effective and efficient fleet management	% progress in implementation of policy	The acquisition of fuel for the plant and cars for operational purposes	Review of fleet management policy	Policy is reviewed	Reporting to Budget and Treasury not done in time	None

No	Project	Measurable Objective	Performance Measures	2010/2011 Baseline	2011/2012 Target	Progress	Variance/Challenges	Corrective action
61	Municipal Assets: Insurance	To ensure financial protection of municipal assets	% progress in insuring all municipal assets	All assets ensured to prevent loss	100% assets insured pay premium on time	All assets are insured with Alendra Forbes and premiums are paid in time	Tender procedures were not properly followed	New service provider is appointed (28/06/2012 for 2012/13

No	Project	Measurable Objective	Performance Measures	2010/2011 Baseline	2011/2012 Target	Progress	Variance/Challenges	Corrective action
62	Postage	To ensure effective issuing of invoices	% progress in issuing of MPRA		100% posting of MPRA monthly invoices to customers	Target Achieved Invoices are printed internally and distributed in time	None	Adhere to the time table

No	Project	Measurable Objective	Performance Measures	2010/2011 Baseline	2011/2012 Target	Progress	Variance/ Challenges	Corrective action
63	Printing and stationery	Ensure effective management of municipal inventory	% progress in inventory management	Manual inventory requisition forms available	Quarterly stock taking	Stock taking performed at the end of March and inventory records kept	None	None

No	Project	Measurable Objective	Performance Measures	2010/2011 Baseline	2011/2012 Target	Progress	Variance/ Challenges	Corrective action
64	Lease: office equipments	To promote usage of well serviced office equipments	No of office equipments leased	Rental of office photocopiers	8 equipments	New service providers appointed	Correct specification by the user department	Weekly check up of the machines by 1 finance staff
	Office equipment and furniture		No of office equipments and furniture acquired	New indicator	Acquired office furniture for Budget and Treasury offices	All the furniture is purchased	None	Safeguard the asset acquired
	Vehicle tracking system		To safeguard the vehicles of the municipality	% of vehicles installed with tracking device	100% tracked	All service providers paid on time	None	Maintain good standard of payment to service providers
No	Project	Measurable Objective	Performance Measures	2010/2011 Baseline	2011/2012 Target	Progress	Variance/ Challenges	Corrective action
65	Valuation roll update	To ensure revenue management	% progress in updating the valuation roll	Valuation roll in place	Additional properties to the valuation roll	Valuation roll for 1 July 2011-2015 is compiled	Market value of rand is too high	Reduce the rate.
	MPRA collection expenses		% progress in revenue collection	Revenue enhancement	70% of outstanding debtors	MPRA collection paid	80% of the outstanding debtors belong to the	Payment of Service provider



			strategy in place		to the service providers as per contract	Government departments	in time

No	Project	Measurable Objective	Performance Measures	2010/2011 Baseline	2011/2012 Target	Progress	Variance/ Challenges	Mitigation /Comments
66	GRAP financial Statements	To ensure compliance with legislation	% progress in preparation and submission of financial statement	2009/10 Financial statement	2010/11 AFS submission in time	<u>Service provider appointed to perform quality review of the AFS</u>	Opening balances audited but no resolution confirmed by AGSA	AGSA to finalize the opening balances audit on the 26 July 2012
	New Financial information system implementation	To ensure effective financial management	% progress in implementation of Financial Information system					

No	Project	Measurable Objective	Performance Measures	2009/2010 Baseline	2010/2011 Target	Progress	Variance/ Challenges	Mitigation/ Comments
67	Fuel Cards System	To promote effective fleet management system	% progress in the implementation of Fuel Card System	New indicator	100% implementation of fuel card system	Fuel cards received from ABSA as per Council	none	Proper record keeping of fuel cards receipts

**KPA 5 GOOD GOVERNANCE AND PUBLIC PARTICIPATION**

No	Project	Measurable Objective	Performance Measures	2010/11 Baseline	2011/2012 Target	Progress	Variance/ Challenges	Corrective Action
1	Risk management committee	To promote corporate Governance	% progress appointment of risk management committee	Risk management framework	100% appointment of Risk Management Committee	Risk management committee appointed - Terms of reference approved by council	None	N/A
2	Development of risk management plan	To promote corporate Governance	% progress in development of Risk management plan	Risk management framework/strategy	100% development of Risk Management Plan	Risk management strategy and plan approved by Council	None	N/A
3	Conduct annual Risk Assessment workshop	To promote corporate Governance	% progress in risk Assessment	Risk management framework	100%	Held 22 and 23 Nov Nov 2011	N/A	N/A
4	Conduct Risk management training workshop	To promote corporate Governance	No of workshop	Risk management framework		training held on 24-25 May 2012	N/A	N/A

No	Project	Measurable Objective	Performance measures	2010/2011 Baseline	2011/2012 Target	Progress	Variance/ Challenges	CORRECTIVE ACTION
5	Review and implementation of anti fraud and corruption strategy	To ensure compliance with legislative prescripts	Reviewed anti fraud and corruption strategy	Risk management frame work	100% review of strategy	Draft review compiled	none	N/A
6	Survey of Makhuduthamaga facilities and properties	To ascertain the level of risk exposure faced by MLM appointment of a service provider and surveying of facilities	% progress in conducting survey	Risk management framework	100% completion of survey	Not attained	Target does not link with IDP objectives	Remove from score card in next financial year

No	Project	Measurable Objectives	Performance Measures	2010/2011 Baseline	2011/2012 Target	Progress	Variance/C challenges	Corrective Action
7	Departmental internal audit	To ensure compliance with legislative prescripts	No of project audits conducted	New	10 project audits	4 projects audited	Inadequate staff to perform audits	To fully resource and capacitate the IA unit
8	Oversight support by Audit Committee	To ensure compliance with legislative prescripts	No of AC Meetings	None	4 meetings	4 Ordinary meetings held and 1 special Council	None	n/a

No	Project	Measurable Objectives	Performance measures	2010/2011 Baseline	2011/2012 Target	Progress	Variance/C challenges	Corrective Action
9	Legal Services professional fees	To ensure proper management of legal matters	% progress in addressing legal matters	New	100 % legal matters resolved			



10	Maintenance of legal unit and capacity building on legal matters to staff member		No of workshops conducted		1 workshop held (Disciplinary procedure	1	None	None
11	Development of Municipal legal services	Ensure effective by-law enforcement and compliance	No of By-laws developed and published		8 By-Laws developed and published	6 By-laws noted by Council for public participation on 28 June 2012		PUBLIC PARTICIPATION TO BE CONCLUDED IN 2012 /13 FINANCIAL YEAR
12	Development of Municipal representation policy for Councilors and staff	To ensure effective legal compliance	% progress in development of policy	New	100 % development of legal representation policy			

	Project	Measurable Objectives	Performance measure	2010/2011 Baseline	2011/2012 Target	Progress	Variation/ Challenges	Corrective action
13	Development of Municipal land acquisition strategy	To promote growth and revenue collection capacity	% progress in the development of strategy	New	100% development of land acquisition strategy			

No	Project	Measurable Objectives	Performance Measure	2010/2011 Baseline	2011/2012 Target	Progress	Variation/Challenges	Corrective action
14	Mayoral outreach program	Improve interaction with stakeholders	Program developed	Stakeholder profile	7 outreach programs	1 Outreach program held	Budget Constrain	Compliance with the communication strategy
15			No of Outreach		8 Outreach	1 Public	None	Continuous

		programmes undertaken		programmes held	participation meeting held		Public participation meetings held
		No of Mayoral messages published		15(X-Mas & New year, Grade 12)			

No	Project	Measurable Objective	Performance measure	2010/2011 Baseline	2011/2012 Target	Progress	Variation/Challenges	Corrective action
16	Special programme	To provide support to designated groups	No of interaction with designated stakeholder	Mayoral programme in place	3 Women's month programme	None	Inadequate capacity	Development of women's month programme
17	Special programme	Children's programme	Development and implementation of children's programme		3 Children activities and toy library	Program developed	None	Disposal of used material
18	Special programme		The aged			None	Non functional	Committee re launch
19	Special programme		Disability		3 Disability events	None	Inadequate Capacity	2012/13 programme implementation
20	Special programme		No of HIV/AIDS centres within the MLM	Database of operational HIV/AIDS centres available	3 Activities	None	None	2012/13 programme
21	Special programme		No of traditional leaders supported	New indicator	Develop support program	1 meeting held with religious group	None	20 12/13 program
	Project	Measurable Objectives	Performance measure	2010/2011 Baseline	2011/2012 Target	Progress	Variation/Challenges	Corrective action
22	Development of Service Standard					The service provider appointed		
23	Development of Service delivery Charter					The service provider		

						appointed		
24	Awareness campaign Batho pele Charter and Service						The project has to be done after charter and service standard developed	

No	Project	Measurable objectives	Performance measure	2010/2011 Baseline	2011/2012 Target	Progress	Variation/Challenges	Corrective action
25	Improve Council administration		No of special and ordinary council meeting held	Ordinary and special council	4 Ordinary council and--- meeting held	03 ordinary councils	Non adherence to quarterly council meeting program	Regular management and Exco meetings

No	Project	Measurable Objectives	Performance measure	2010/2011 Baseline	2011/2012 Target	Progress	Variation/Challenges	Corrective action
26	Development and submission of quarterly reports to Communicators forum		No of communicators forum meetings held	Local communicators forum held		Submitted to district	None	Continuous forums
27	Local Government Communicators forum		No of communicators forum meetings held		2 meetings held	2 communicators forum held		
28	Corporate branding and marketing plan					None	Inadequate staff	
29	Review Communication strategy		Communication strategy review	Communication strategy in place	Reviewed strategy	Reviewed and adopted by Council	None	Review communication strategy annually
30	Management of Website					60%	The management website is being done	





46	Improve Council administration	To improve Oversight role and functionality	% progress in compliance to legislative requirement	New indicator	100% compliance	75%	Council not adhere to their programs	To adhere to annual adopted program
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No	Project	Measurable Objectives	Performance measure	2010/2011 Baseline	2011/2012 Target	Progress	Variation/Challenges	Corrective action
47	Sports promotion	To sustain local sports activities	No of sports activities organized	New indicator	3 Sports activities/Mayor's marathon, Women in sports and inter – municipal sport	Mayor's cup selection done	Clash of the dates with the District events	Alignment of district and Local sports , arts and Culture activities

No	Project	Measurable Objectives	Performance measure	2010/2011 baseline	2011/2012 Target	Progress	Variation/Challenges	Corrective action
48	Establishment of sports ,arts and culture	To promote local sports arts and culture	% progress in the establishment of Sports ,Arts and Culture unit	New indicator	100% establishment of the unit			

No	Project	Measurable Objectives	Performance Measure	2010/2011 Baseline	2011/2012 Target	Progress	Variation/Challenges	Corrective action
49	Establishment of Library Management Unit	To ensure effective management and operation of libraries	Management Unit established	Fully equipped libraries	Established management unit of libraries	None	Short listing date	Speeding up the appointment of staff

No	Project	Measurable	Performance	2010/2011	2011/2012	Progress	Variation/Challenges	Corrective action
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	Objectives	measure	Baseline	Target		
50	Development of Indigent register	To prioritize Basic Services	Indigent register developed	The register developed		

No	Project	Measurable Objectives	Performance measure	2010/2011 Baseline	2011/2012 Target	Progress	Variation/Challenges	Corrective action
51	Establishment of Law enforcement unit	Ensure compliance with traffic statutory requirement	No of traffic station statutory compliant to traffic regulation	Operational plan in place	2 traffic station			
52	Development of traffic safety management strategy	To promote traffic safety	Traffic safety management Strategy developed	New indicator	Development and implementation of traffic safety management strategy	None	Budget constrain	Budget allocation
53	Road safety awareness campaign	To improve road safety and Reduce road carnages	No of awareness campaigns	New indicator	4 awareness campaign at Sub growth point conducted	1 awareness campaign conducted	Shortage of personnel	Appointment of staff

	Project	Measurable Objectives	Performance measure	2011/2012 Baseline	2011/2012 Target	Progress	Variation/Challenges	Corrective action
54	Development of crime prevention strategy	To reduce level crime	Crime prevention strategy developed	None	Develop and Implement crime prevention strategy	None	Shortage of staff	Appointment of staff

No	Project	Measurable Objectives	Performance measure	2010/2011 Baseline	2011/2012 Target	Progress	Variation/Challenges	Corrective action
55	Coordination of disaster management services	To mitigate the natural disasters	17 Awareness campaigns held	1 Disaster management officer appointed	8 Awareness campaign held	4 Awareness campaign held at Ga-Tisana, Maia Segolo,	Poor attendance	Engagement with the Speaker and Communication Section



						Dlamini and Masanteng		
56	Disaster Management Relief	Implementation of Disaster management plan	No of corrugated iron shacks acquired for relief	Disaster management plan in place	10 Shacks acquired.	None	District function	
57	Community awareness campaigns	To raise awareness regarding environmental & Disaster management	No of campaigns held		17 campaigns(8 disaster,8 environmental management and 1 primary health care campaigns	2 awareness campaigns conducted at Dhamini ward 14, and Masanteng Ward 30	Non-attendance	To rearrange another campaign at Dhamini(ward 14)

#### KPA 6: SPATIAL RATIONALE

	Project	Measurable Objective	Performance Measure	2010/2011 Baseline	2011/2012 Target	Progress	Variation/Challenges	Corrective action
1	Township establishment	To acquire land for lane furse Township establishment	No of hectares acquired	New indicator	Land acquired	Pedi Mamone agreed to avail 126 Ha	None	N/a

No	Project	Measurable Objectives	Performance indicator	2010/2011 Baseline	2011/2012 Target	Progress	Variation/Challenges	Corrective action
2	Office expansion	To increase office space	No of sites acquired for office expansion	4 Sites identified	3 Sites	3 sites acquired(Motlatle, Pedi Mamone and Masemola. Sites development plans underway	The acquisition of Mr Mashegoane's property is still outstanding	Processing of PTO for site and the development of the sites
No	Project	Measurable Objectives	Performance I measure	2010/2011 Baseline	2011/2012 Target	Progress	Variation/Challenges	Corrective action
3	Rezoning and site development	To introduce formal	No of villages demarcated	SG diagram and 500 erven	1 village planned	Facilitation and completion of	Multiple ownership of identified sites. Ga	Municipality to work closely with approved

		planning		plan for Apel cross (Masemola)		Mohlarekoma 350 Even	Malaka, Mashabela	tribal authorities
No	Project	Measurable Objectives	Performance measure	2010/2011 Baseline	2011/2012 Target	Progress	Variation/Challenges	Comments/Mitigation
4	LUMS summit	To educate traditional leaders on sustainable land use management	No of LUMS summit	1 summit (2010/2011)	1 Summit	LUMS seminar held	Tribal resolution towards purchasing of land	Dept of Rural Development assistance in land purchasing and transfer processes

#### PROJECT 6.4 : BRANDING OF MUNICIPAL ENTRY POINTS

No	Project	Measurable Objectives	Performance measure	2010/2011 Baseline	2011/2012 Target	Progress	Variation/Challenges	Corrective action
5	Branding of municipal entry points	To maintain Corporate image	No of entry points branded	LED strategy in place	4 Entry points branded	All entry points branded	Some sites not well maintained	EPWP personnel involvement in cleaning the sites

	Project	Measurable Objectives	Performance measure	2010/2011 Baseline	2011/2012 Target	Progress	Variation/Challenges	Corrective action
6	Development of precinct plans for municipal growth points	To promote development in growth points						
	Project	Measurable Objectives	Performance measure	2010/2011 Baseline	2011/2012 Target	Progress	Variation/Challenges	Corrective action
7	Municipal cemetery	To develop a dedicated municipal cemetery	No of sites acquired	Land available from tribal authorities	1 site	Proposal submitted to Kwena Madhlaba	The initial site identified failed the Environmental assessment	Finalization with Kwena Madhlaba for the site
No	Project	Measurable Objective	Performance measure	2010/2011 Baseline	2011/2012 Target	Progress	Variation/Challenges	Corrective action

8	Municipal park	To promote access public open space	No of sites acquired	New indicator	1 site	MOU between themunicipality and Anglican Church is drafted	Anglican Church not willing to sell the land but to lease	Facilitating the approval of the MOU



# ANNUAL PERFORMANCE REPORT AND SCORE CARD 2011/12



# CHAPTER 4

## CHAPTER 4 – ORGANISATIONAL DEVELOPMENT PERFORMANCE (PERFORMANCE REPORT PART II)

### INTRODUCTION

The municipality performs the following functions:

- Implement municipal bursary fund.
- Compile WSP, annual training and quarterly reports.
- Provide staff training.
- To create database for unemployed graduates.
- To develop a plan for learnership

### COMPONENT A: INTRODUCTION TO THE MUNICIPAL PERSONNEL

#### 4.1 EMPLOYEE TOTALS, TURNOVER AND VACANCIES

Employees					
Description	10/11		11/12		
	No. Employees	No. Approved posts	No. of employees	No. of vacancies	% of vacancies
Water	0	0	0	0	0%
Waste Water (sanitation)	0	0	0	0	0%
Electricity	1	1	1	0	0%
Waste Management	0	2	1	1	50%
Housing	See electricity				
Waste Water (Storm water Drainage)	1	1	1	0	0%
Roads	5	10	8	2	20%
Transport	0	0	0	0	0%
Planning	8	10	8	2	20%
Local Economic Development	4	4	3	1	25%
Planning (Strategic & Regulatory)	61	61	61	0	0%
Community & social services	4	14	4	10	71%
Environmental protection	1	1	1	0	0%
Health	0	0	0	0	0%
Security & safety	12	32	12	20	63%
Sport & recreation	1	1	1	0	0%
Corporate Policy offices & other	23	33	23	10	30
<b>Totals</b>	<b>141</b>	<b>170</b>	<b>141</b>	<b>29</b>	<b>17%</b>

Headings follow the order of services as set out in Chapter 3. Service totals should equate to those included in the chapter 3 employee schedules. Employee and approved posts numbers are as at 30 June.

Turn-over Rate			
Details	Total Appointments as of beginning of financial year	No.	No.
2009/10			
2010/11			
2011/12		83	
*Divide the number of employees who have left the organization within a year, by total number of employees who occupied posts at the beginning of the year			

Vacancy Rate: 11/12			
Designation	*Total approved posts	No.	*Variances (Total vacancies exist that time that a proportion of total posts in each category) %
Municipal Manager	1	29	28
CFO	1	0	
Other SS7 Managers (excluding Finance Posts)	4	29	25
Other SS7 Managers (Finance posts)	5	29	24
Municipal Police	0	0	0
Fire Fighters	0		
Senior Management: Levels 13-15 (excluding Finance Posts)	Same as SS7 post mentioned above.		
Senior Management: Levels 13-15 (Finance Posts)	Same as SS7 post mentioned above.		
Senior Management: Levels 13-15 (Finance Posts)	Same as SS7 post mentioned above.		
Highly skilled supervision: Levels 9-12 (excluding Finance posts)	23	29	6
Highly skilled supervision: Levels 9-12 (Finance posts)	26	29	3
Total	60	29	-31

Note: \*for posts which are established and funded in the approved budget or adjustments budget (where changes in employee provision have been made). Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. senior management) then dividing that total by 250 to give the number of posts equivalent to the accumulated days.



## COMPONENT B: MANAGING THE MUNICIPAL WORKFORCE

### COMMENT ON VACANCIES AND TURNOVER:

- 70% of vacant posts during the reporting period were advertised and processed.
- Section 57 posts have remained at a minimum of 12 months unfilled because of not attracting competent candidates; however, two positions were successfully processed and filled. The posts of Municipal Manager and Director Economic Development & Planning were filled.
- The filling of the Municipal Manager post left us with a vacancy of Director Corporate services.
- The turnover rate has remained static/ stable because the municipality is in the rural area where competition for scarce skills with affluent areas is high.
- The unemployment rate is high thus people are likely to stay with the first employer.

### INTRODUCTION TO MUNICIPAL WORKFORCE MANAGEMENT

- The municipality has developed an Employment Equity Plan in terms of the Act.
- To ensure that the workplace is free of unfair discrimination (direct and indirect) against anyone on one or more grounds of being designated group and others in terms of Section 9 of the Constitution read with Section 5 & 6 (1) of the Employment Equity Act No. 55 of 1998.
- To achieve equity in the workplace by complying with Section 20 of the Employment Equity Act.
- Promoting equal opportunity and fair treatment in employment through the elimination of unfair discrimination and
- To implement comprehensive affirmative action, education, training and development measure to redress historic and existing inequalities, imbalances, prejudices and injustices in the workplace in order to transform the Makhuduthamaga Municipality into a non-racial, non-sexiest council.
- To address imbalances in the composition of the internal labour force with special reference to race and gender by means of an employment equity plan, until such time as the staff composition of the Makhuduthamaga Municipality is representative of the labour market at all organisational levels.
- To ensure job security of those employees who are proficient in their positions with the implementation of affirmative action programmes.
- To establish a staff composition that is able to serve all members of the community effectively and fairly taking due cognizance of culture and ethnic diversity.

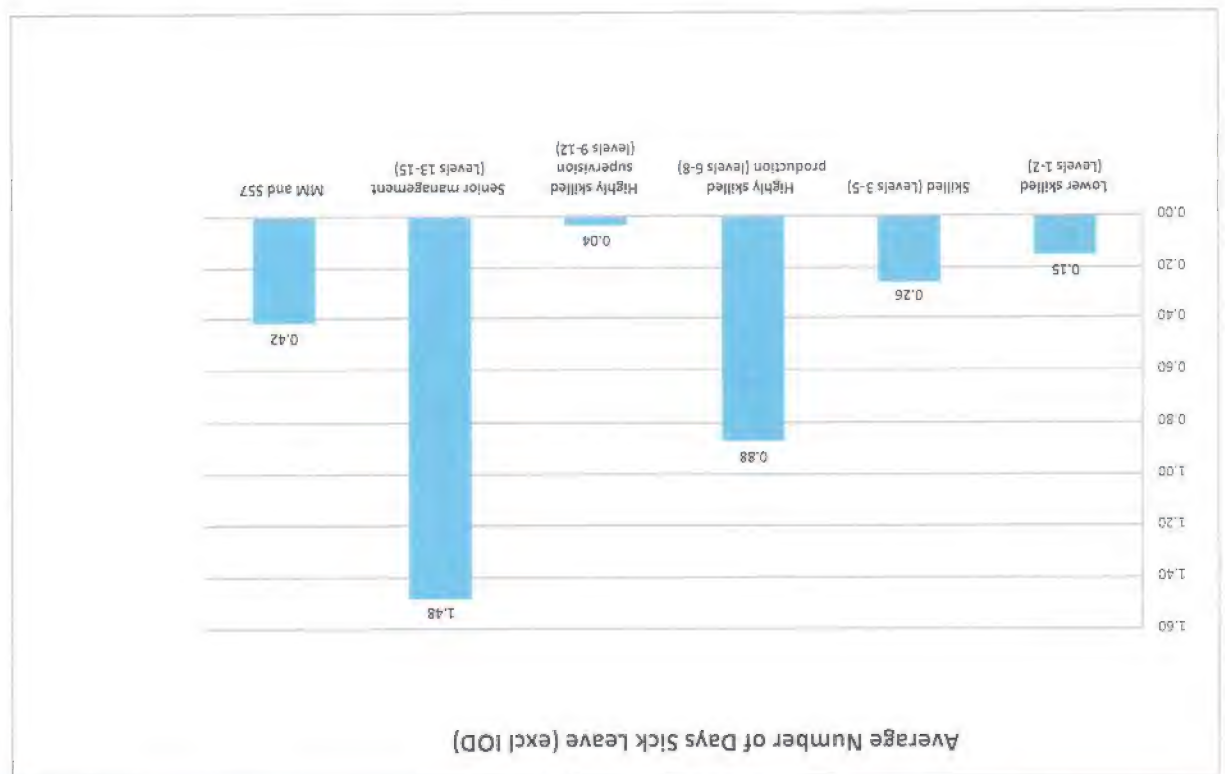
## 4.2 POLICIES

HR Policies & Plans					
Name of Policy	Completed	Reviewed	Date adopted by council or comment on failure to adopt		
HR Policies	70	100	28 June 2012	1	
Back up policy	100	100	28 June 2012	2	
Change Control policy and procedures	100	100	28 June 2012	3	
Disaster Recovery policy	100	100	28 June 2012	4	
E-mail policy	100	100	28 June 2012	5	
Firewall policy	100	100	28 June 2012	6	
Security policy	100	100	28 June 2012	7	
Internet policy	100	100	28 June 2012	8	
Telephone usage policy	100	100	28 June 2012	9	
Movable ICT policy	100	100	28 June 2012	10	
Password policy	100	100	28 June 2012	11	
Disaster recovery plan	100	100	28 June 2012	12	
All budget related policies used during the reporting policies were reviewed and approved with the budget by council.					13

## 4.3 INJURIES, SICKNESS AND SUSPENSIONS

Number and cost of injuries on duty					
Type of injury	Injury leave taken	Employees using injury leave	Proportion employees using sick leave	Average injury leave per employee	Total estimated cost R'000
Required basic medical attention only	0	0	0%	0	0
Temporary total disablement	0	0	0%	0	0
Permanent disablement	0	0	0%	0	0
Fatal	0	0	0%	0	0
Total	0	0	0%	0	0





COMMENT ON INJURY AND SICK LEAVE:

- No injury on duty incidences were recorded for the period under review.
- The municipality has a committee dealing with occupational health and safety measures within the municipal environment.
- The Municipality has manual and electronic leave management system which it uses for monitoring and management of leaves.
- The is no Municipal doctor , however sick leave notes are required from registered medical practitioners.
- Personal records of sick leaves taken are kept

Position	Nature of alleged misconduct	Date of suspension	Number and period of suspensions	Details of disciplinary action taken or status of case and reasons why not finalized	Accountant: Expenditure: Fraud, bribery and dishonesty.
				Case finalised 30/11/2011	
				Sanction is that he be guilty.	



Disciplinary action taken on cases of financial misconduct			
Position	Nature of alleged misconduct and value of any loss to the municipality	Disciplinary action taken	Date finalized
Accountant:	Fraud, bribery and dishonesty.	Demoted to a lower post with no financial implications.	30/11/2011
Expenditure			

COMMENT ON SUSPENSIONS AND CASES OF FINANCIAL MISCONDUCT:

- Delay caused by further consultations.
- Three postponements.
- Request by employee representative for postponement as results of other commitments.
- The employer requested postponement due to other commitments.
- Unavailability of witnesses.

#### 4.4 PERFORMANCE REWARDS

Performance Rewards by Gender						
Designation		Gender	Total number of employees in group	Number of beneficiaries	Expenditure on rewards R'000	Proportion of beneficiaries within group %
Lower skilled (levels 1-2)		Female	0	0	0	0%
		Male	0	0	0	0%
Skilled (levels 3-5)		Female	0	0	0	0%
		Male	0	0	0	0%
Highly skilled production (levels 6-8)		Female	0	0	0	0%
		Male	0	0	0	0%
Highly skilled supervision (levels 9-12)		Female	0	0	0	0%
		Male	0	0	0	0%

## COMPONENT C: CAPACITATING THE MUNICIPAL WORKFORCE

## INTRODUCTION TO WORKFORCE CAPACITY DEVELOPMENT

The municipality has developed a workplace skills plan in line with the Skills development Act, 1998, which is adopted by Council annually before submission to LGseta on the 30<sup>th</sup> of June.

The municipality has taken 60% of its workforce for training and workshops in terms of their skills audit/ personal development plan.

Budget constraint is a major challenge when implementing the workplace skills plan.

Training Committee is appointed but not functional and is ineffective.

Poor attendance of classes due work commitments.

T4.5.0

#### 4.5 SKILLS DEVELOPMENT AND TRAINING.

Senior Management (levels 13-15)						Female	0	0	0	0	0	0%
						Male	0	0	0	0	0	0%
MM and SS7						Female	0	0	0	0	0	0%
						Male	0	0	0	0	0	0%
Total							0	0	0	0	0	0%

[illegible]



[illegible]

T4.1

Financial competency development: progress report									
Description	A	Total number of officials employed by municipal entities	14	(Regulation 14(a) and (c))		Consolidated: competency assessment completed for a and B	14(a)(b) and (d)	Consolidated: Total number of officials whose performance agree with regulation 16	Consolidated: Total Number of officials that meet prescribed competency levels (Regulation 14(a)(a) and 14(a)(f))
	B	Total number of officials employed by municipal entities	14	(Regulation 14(a) and (c))					
Financial officials	15	0	15						
Accounting officer	1	0	1						
Chief Financial Officer	1	0	1						
Senior Managers		0							
Any other financial officials		0							
Supply Chain Management officials		8	8	4					
Heads of SCM units	1	0	1						
SCM senior managers		0							
Total	26	0	26	4					

\*This is a statutory report under the National Treasury: Local Government: MFMA Competency Regulations (June 2007) T4.5.2

\*This is a statutory report under the National Treasury: Local Government: MFMA Competency Regulations (June 2007) 14.5.2

[illegible]



## THE MUNICIPALITY HAS A SKILLS DEVELOPMENT PLAN WHICH ADDRESSES THE FOLLOWING:

- WSP developed for both staff and councillors.
- Skills audit is completed by all new employees and updated annually.
- Municipal bursary fund is established for prospective students from within the municipality targeting individuals from underprivileged families.
- Internship programs available for finance and other disciplines and funded by the FMG.
- Funding is from FMG and equitable share. It is normally not adequate to meet the training demands of the WSP.
- The expenditure is always high and budget adjustment done for the remainder of the year.

% and *R value of municipal salaries (original budget) allocated for workplace skills plan							*R	
occupation	Male	Female	0	0	0	387062.16	6400.00	393462.15
	Sub Total	0	0	0	288233.50	5760.00	293993.50	288233.50
			0	0			0	0

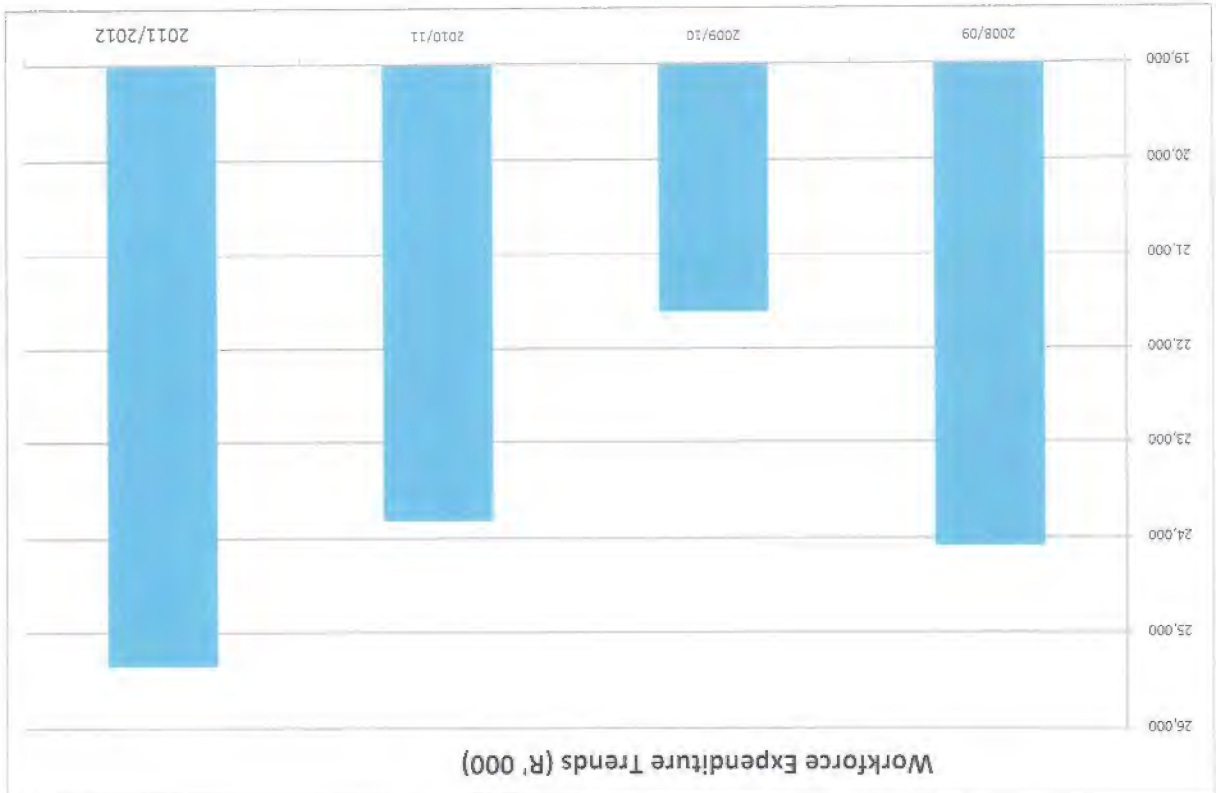
T4.5.3

## COMPONENT D: MANAGING THE WORKFORCE EXPENDITURE

### INTRODUCTION TO WORKFORCE EXPENDITURE

- To ensure compliance to relevant legislation.
- To ensure that funds allocated are utilised efficiently and appropriately.
- Council approves organisational structure and its budget.
- Only posts approved in terms of organisational structure are filled and are budgeted for.
- To utilise personnel to achieve organisational goals and objectives.

### 4.6. EMPLOYEE EXPENDITURE



### COMMENT ON WORKFORCE EXPENDITURE:

Expenditure for 2011/2012 reflects an increase as compared to the two previous financial years.

14.6.1.1

Number of employees whose salaries were increased due to their positions being upgraded		
Beneficiaries		Gender
Lower skilled (level 1-2)	Female	0
	Male	0
Skilled (level 3-5)	Female	0
	Male	0
Highly skilled production (levels 6-8)	Female	0
	Male	0
Highly skilled supervision (level 9-12)	Female	0
	Male	0
Senior management (levels 13-15)	Female	0
	Male	0
MM & SS7	Female	0
	Male	0
Total		0

Employees whose salary levels exceed the grade determined by Job Evaluation				
Occupation	Number of employees	of Job level	evaluation	Remuneration level
Reason for deviation				
NONE				

Employees appointed to posts not approved				
Department	Level	Date of appointment	No. appointed	Reason for appointment when no established post exist
NONE				

DISCLOSURES OF FINANCIAL INTERESTS

All councillors disclosed all their financial interest in line with the PM Regulations 805 of 2006.



# Chapter 5

## CHAPTER 5 – FINANCIAL PERFORMANCE

### INTRODUCTION

Chapter 5 contains information regarding financial performance and highlights specific accomplishments. The chapter comprises of three components:

- Component A: Statement of Financial Performance
- Component B: Spending Against Capital Budget
- Component C: Other Financial Matters

## COMPONENT A: STATEMENTS OF FINANCIAL PERFORMANCE

### INTRODUCTION TO FINANCIAL STATEMENTS

According to the MFMA, the Annual Financial Statements of the Municipality must be submitted to the Auditor-General within two months after the end of the financial year. The Annual Financial Statements for 2011/2012 were submitted to the Auditor-General and National and Provincial Treasuries within the prescribed timeframe on 31 August 2012 and are attached.

The financial statements have been prepared on accrual basis of accounting. These annual financial statements have been prepared in accordance with Generally Recognized Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The Municipality fully complied with the GRAP standards for the compilation of the 2011/2012 Annual Financial Statements. The Municipality received a qualified audit opinion for the 2011/2012 financial year.

Note: Statements of Revenue Collection Performance by vote and by source are included at.

## 5.1. STATEMENTS OF FINANCIAL PERFORMANCE

Financial Summary									
Description	2010/11		Current year 2011/12		2011/12 Variance		Adjusted	Original	Budget
	Actual	Budget	Adjusted	Budget	Actual	Budget			
<b>Financial Performance</b>									
Property Rates	24,906,459	24,046,860	41,443,710	41,443,710	41,358,051	42%			
Service charges	3,048,256	3,500,000	8,623,445,46	130,121,000	3,671,638	5%			
Investment revenue					128,573,000	0%			
Transfers recognised – operational	114,143,476	128,589,000	11,064,614	11,064,614	10,007,377	-121%			
Other own revenue	6,577,126	22,109,054				-11%			
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>148,675,317</b>	<b>178,244,914</b>	<b>191,251,769</b>	<b>191,251,769</b>	<b>183,610,066</b>	<b>3%</b>			
Employees costs	20,952,976	39,742,167	33,120,902	13,800,547	25,671,515	-55%			
Remuneration of councillors	13,496,393	14,400,000	13,800,547	13,800,547	13,951,429	-3%			
Depreciation & asset impairment	8,747,844	3,187,986	3,187,986	3,187,986	9,618,467	-67%			
Finance charges		300,000	110,000	110,000	8,730	-3,336%			
Materials and bulk purchases						0%			
Transfers and grants	3,260,347				4,279,906	0%			
Other expenditure	70,074,199	60,229,369	104,467,467	104,467,467	89,094,583	32%			
<b>Total Expenditure</b>	<b>116,531,759</b>	<b>117,859,522</b>	<b>154,686,902</b>	<b>154,686,902</b>	<b>142,624,630</b>	<b>17%</b>			
<b>Surplus (deficit)</b>	<b>32,143,558</b>	<b>60,385,392</b>	<b>36,564,867</b>	<b>36,564,867</b>	<b>40,976,706</b>	<b>-47%</b>			
Transfers recognised – capital	33,401,000	41,659,000	44,159,000	44,159,000	40,128,612	-4%			
Contributions recognised – capital & contributed assets						0%			
<b>Surplus (deficit) after capital transfers &amp; contributions</b>	<b>65,544,558</b>	<b>102,044,392</b>	<b>80,723,868</b>	<b>80,723,868</b>	<b>81,114,048</b>	<b>49%</b>			
Share of surplus (deficit) of associates						0.5%			
<b>Surplus (deficit) for the year</b>	<b>65,544,558</b>	<b>102,044,392</b>	<b>80,723,868</b>	<b>80,723,868</b>	<b>81,114,048</b>	<b>49%</b>			
<b>Capital expenditure &amp; funds sources</b>									
<b>Capital expenditure</b>									
Transfers recognised – capital	33,401,000	60,385,000	44,159,000	44,159,000	40,128,612	-50%			
Public contributions & donations						-10%			
Borrowing						-			
Internally generated funds						-			
<b>Total source of capital funds</b>									
<b>Financial position</b>									
<b>Total current assets</b>	<b>126,815,069</b>	<b>49,739,070</b>	<b>190,624,092</b>	<b>190,624,092</b>	<b>170,220,779</b>	<b>70%</b>			
Total non-current assets	117,085,637	342,991,207	323,073,026	1,005,361	164,011,200	-109%			
Total current liabilities	19,958,830	1,005,361	32,387,545	32,387,545	203,315	97%			
Total non-current liabilities		1,440,000				-			
Community wealth/equity		390,285,916	480,104,213			-			
<b>Cash flows</b>									
Net cash from (used) operating	27,347,214	104,932,378	73,252,457	80,664,019	63,594,188	-65%			
Net cash from (used) investing	17,764,310	100,582,200	80,664,019	57,888,626	57,888,626	74%			
Net cash from (used) financing				203,315	203,315	0%			
<b>Cash/backing/surplus reconciliation</b>	<b>74,761,162</b>	<b>52,256,994</b>	<b>67,268,976</b>	<b>80,870,039</b>	<b>80,870,039</b>	<b>35%</b>			
Application of cash and investments	76,006,203	10,791,608	115,197,985	81,909,992	81,909,992	-			
Cash and investments available						0%			
Balance – surplus (shortfall)		31,260,247	114,192,623			0%			
<b>Asset management</b>									
Asset register summary (WDV)			179,822,893	164,011,200	164,011,200	-10%			
Depreciation & asset impairment	8,747,844	3,187,986	3,187,986	9,618,467	9,618,467	67%			
Renewal of existing assets		4,200,000	4,053,537			-			
Repairs and maintenance	11,225,549	11,682,469	18,182,469	15,940,001	15,940,001	27%			
<b>Free services</b>	<b>2,560,087</b>	<b>3,000,000</b>	<b>3,000,000</b>	<b>3,495,633</b>	<b>3,495,633</b>	<b>14%</b>			
Cost of free basic services provided									
Revenue cost of free services provided		3,000,000							
Households below minimum service level									
Water									
Sanitation/sewage									
Energy									
Refuse									

Variances are calculated by dividing the difference between actual & original / adjustments budget by the actual. Table is aligned to MBR table 1



COMMENT ON FINANCIAL PERFORMANCE:	
Revenue:	<p>The actual income for the 2011/2012 financial year is 4 percent lower than the budgeted amount of R191.2 million. The variance is due to the fact that one traffic station was not in full operation during the year while we expected the two traffic stations to be in full operation during the financial year.</p>
Expenditure:	<p>The actual expenditure for the 2011/2012 financial year is 8% lower than the budgeted amount of R154.7 million. The variance is due to:</p> <ul style="list-style-type: none"> <li>- Impairment of government debtors which was not implemented as this debtors are state entities and will be able to pay and</li> <li>- Vacancies which were budgeted for but not filled during the financial year.</li> </ul>

## TS.1.2

Financial performance of operational services						
Description	2009/10	2010/11		2011/12 variance		R '000
	Actual	Original budget	Adjustment budget	Actual	Original budget	Adjustment budget
Operating cost						
Water						
Waste water (sanitation)	0	3,000	3,000	3,495	3,000	3,000
Electricity						
Waste management						
Housing						
Component A: sub-total	0	3,000	3,000	3,495	3,000	3,000
Waste water (storm water drainage)						
Roads	55,395	47,172	47,172	1,079	70,970	60,920
Transport						
Component B: sub-total						
Planning						
Local Economic Development						
Component B: sub-total						
Planning (strategic & regulatory)						
LED						
Component C: sub-total						
Community & social services						
Environmental protection						
Health						
Security & safety						
Sport & recreation						
Corporate policy offices & other						
Component D: sub-total						
Total expenditure						

In this table operational income (but not levies or tariffs) is offset against operational expenditure leaving a net operational expenditure total for each service as shown in the individual net service expenditure tables in chapter 3. Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual.



## 5.2 GRANTS

Grant Performance 2011/12 R'000						
Description	2010/11	2012/12		2011/12 variance		
	Actual	Budget	Adjustments	Actual	Original budget	Adjustments budget
Operating transfers and grants						
National Government:						
Equitable share	111,893,476	126,283,000	126,283,000	126,283,000	0%	0%
Municipal systems improvement	750,000	790,000	790,000	790,000	0%	0%
Department of Water Affairs						
Levy Replacement	34,901,000	41,659,000	44,159,000	40,128,612	9.67%	9.13%
Other transfers/grants (MIG and DOE)						
Provincial Government	147,544,476	170,248,000	172,788,000	168,701,612	9.67%	9.13%
Health subsidy	0	0	0	0	0%	0%
Housing						
Ambulance subsidy						
Sports & recreation						
Other transfers/grants (insert description)						
District municipality (insert description)	0	0	0	0	0%	0%
Other grant providers: (insert description)						
Other grant providers: (insert description)						
Total operating transfers & grants	147,544,476	170,248,000	172,788,000	168,701,612	9.67%	9.13%

Variances are calculated by dividing the difference between actual and original/adjustments budget by actual

TS.2.1

COMMENT ON OPERATING TRANSFERS AND GRANTS:

All conditional grants were received as per the DORA.

Note: For Municipal Infrastructure Grant (MIG) see TS.8.3. For other conditional transfers including Neighbourhood Development Partnership Grant (NDPG); Public Transport Infrastructure and Systems Grant.

TS.2.2

## 5.3 ASSET MANAGEMENT

### INTRODUCTION TO ASSET MANAGEMENT

The main project was to perform a physical verification of Property, Plant and Equipment (PPE) and prepare a fixed asset register according to the standards of GRAP 17. As the abovementioned is a continuous process the following additional procedures were followed towards establishing a complete asset register at 30 June 2012:

- Review the Accounting Policy and Asset Management Policy regarding PPE.
- New Asset Register compiled on ACCPAC system, which was fully operational from 1 July 2011.
- Identification and determine values of infrastructure assets by CORPMD.
- Review of useful lives of items of PPE recognised in the Annual Financial Statements.
- Unbundling of assets.

Asset verifications are done on a quarterly basis by the Budget and Treasury Department. During the year ended 30 June 2012, the municipality performed the unbundling of infrastructure assets, with retrospective from 01 July 2009. Unbundling of infrastructure assets was performed during the year by the qualified engineer from Nemurango Consulting Engineers. The gross replacement principle was applied in the components of infrastructure.

The Municipality fully complied with the GRAP 17 standard for the compilation of the 2011/2012 Annual Financial Statements.

The Asset Registers are reconciled to the general ledger on a monthly basis.

TS.3.1

TREATMENT OF THE THREE LARGEST ASSETS				
Assets 1				
Name	Construction of Madibong Road			
Description	Upgrading of gravel road to pavement surfaced road.			
Asset Type	Infrastructure Assets - Roads			
Key staff involved	Assets Management and Infrastructure Department			
Staff responsibilities	Management and Maintenance of the Asset			
Asset Value	2008/09	2009/10	2010/11	2011/12
				7,218,184
Capital implications	Grant funding			
Future purpose of asset	To provide better access roads to and from residential areas			
Describe key issues	Delays in completion of the projects			
Policies in place to manage asset	Municipal Assets Management Policy, GRAP 17 and MFMA.			



# Chapter 5

Assets 2					
Name	Description	Asset Type	Key staff involved	Staff responsibilities	Asset Value
Construction of Access road to Masemola Tribal Office	Upgrading of gravel road to tar surfaced road	Infrastructure Assets – Roads	Assets Management and Infrastructure Department	Management and Maintenance of the Asset	2008/09 2009/10 2010/11 2011/12
Grant funding					6,153,174
Future purpose of asset					To provide better access roads to and from residential areas
Describe key issues					Potholes
Policies in place to manage asset					Municipal Assets Management Policy, GRAP 17 and MFMA

Asset 3					
Name	Description	Asset Type	Key staff involved	Staff responsibilities	Asset Value
Access Road to Water Treatment – Riverside	Upgrading of gravel road to tar surfaced road	Infrastructure Assets – Roads	Assets Management and Infrastructure Department	Management and Maintenance of the Asset	2008/09 2009/10 2010/11 2011/12
Grant funding					4,007,372
Future purpose of asset					To provide better access roads to and from residential areas
Describe key issues					Delays in completion of the on time
Policies in place to manage asset					Municipal Assets Management Policy, GRAP 17 and MFMA

## COMMENT ON ASSET MANAGEMENT:

For Madibong road – there were challenges of realignment of about 200m of the road due to the development of new shopping centre next to the road, which also affected the fence of one household.

For water treatment - there were challenges, delays on surfacing of the road due to weather charges during June/July.

For other project no challenges were identified.

Repair and maintenance expenditure 2011/12					
Original budget R'000	Adjustment budget R'000	Actual R'000	Budget variance R'000		
9,682,469	17,232,469	15,940,001	(1,292,468)		

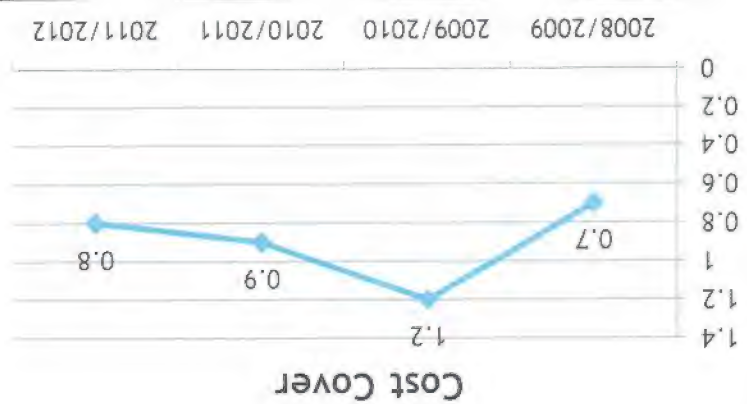
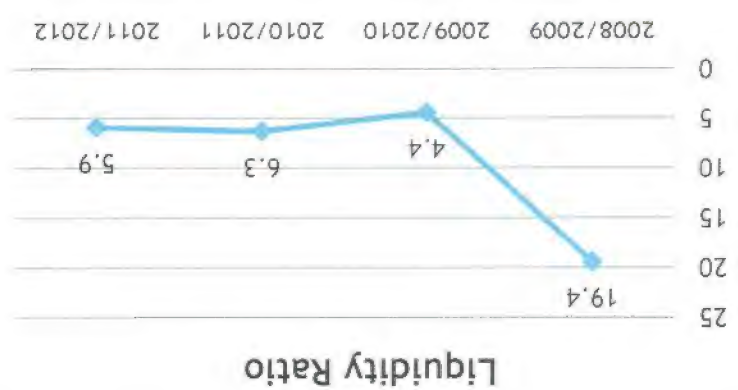
TS.3.4

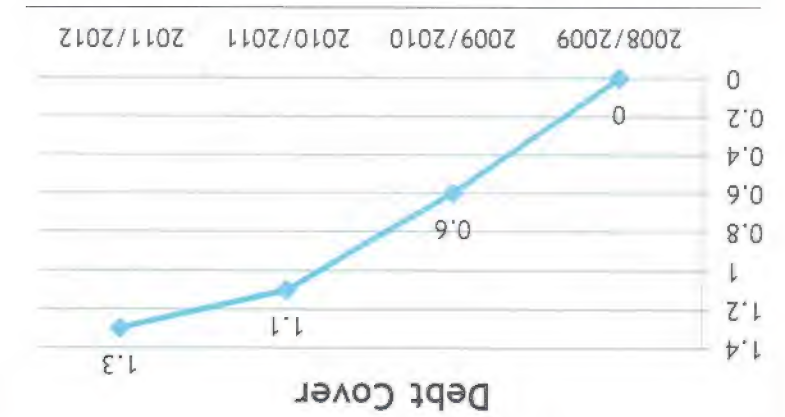
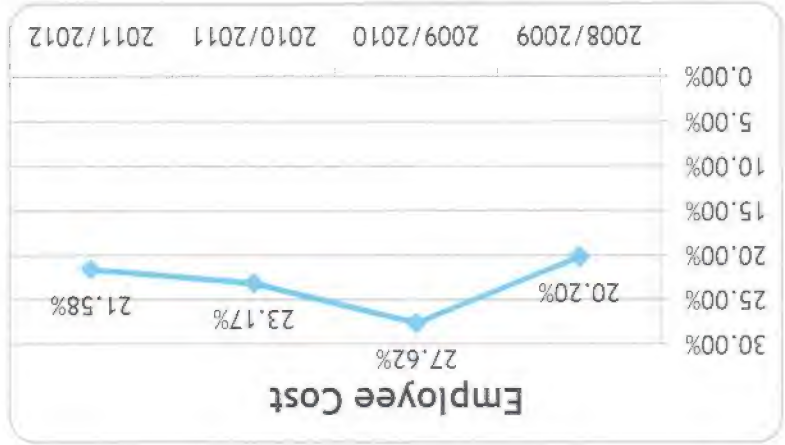
## COMMENT ON REPAIR AND MAINTENANCE EXPENDITURE:

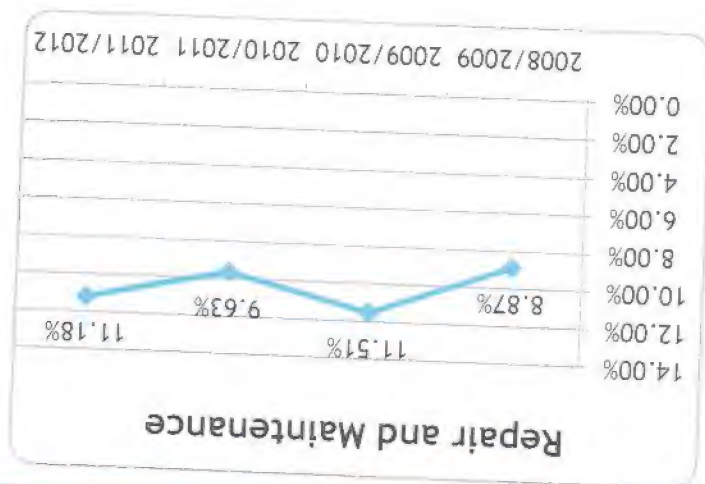
Spending on repairs and maintenance was at an acceptable level with 92.49% of the budget spent. The target is to spend at least 100% of the repairs and maintenance budget in future years to ensure all of Council's assets are maintained at an acceptable level so that service interruptions are minimized.



## 5.4 FINANCIAL RATIOS BASED ON KEY PERFORMANCE INDICATORS







## COMMENT ON FINANCIAL RATIOS:

The Municipality is in a very liquid position, with current assets of a more five times of the current liabilities. The ratio has however deteriorated from the 2010/2011 financial year to the current year.

Cost coverage which is an indicator of the available cash and investments as against the required monthly fixed operating expenditure to keep the municipal machinery running achievement was a cover of 0.8 times which is in line with the benchmark figure. This outcome serves to confirm the liquid position of the Municipality.

Percentage of net debtors to annual revenue ratio measures the extent of the net debtors (total debtors less provision for doubtful debts/ impairment) as a percentage of revenue of the municipality. The ideal percentage of the net debtors to annual income ratio should be 20%. However, the outcome for 2011/12 is 129.29%. The debtor's book being doubtful or impaired. Debt coverage ratio is 1.3 which has increased from the prior year rate of 1.2. This is mainly as a result of low debt collection exposure of the municipality.

Creditor system efficiency measures proportion of creditors that were paid within 30 days by the municipality. The municipality paid 85.52% of creditors within prescribed limit of 30 days which improved from the previous year rate of 83.41%



# Chapter 5

## COMPONENT B: SPENDING AGAINST CAPITAL BUDGET

### INTRODUCTION TO SPENDING AGAINST CAPITAL BUDGET

Capital expenditure relates mainly to construction projects that consist of:

- > Roads and storm water.
- > Bridges.
- > High mast and streets lights.

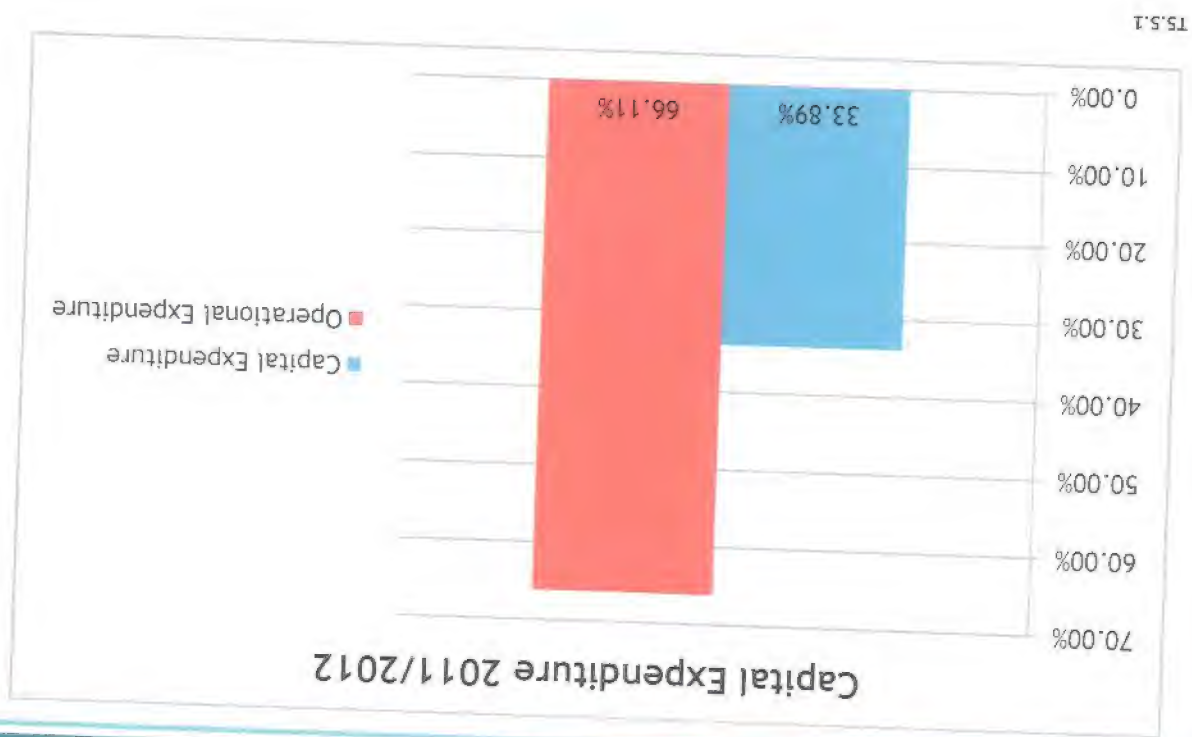
During the 2011/2012 financial the municipality has spent R72,937,136 on capital projects and other assets against the budget of R80,664,020 which reflect an under spending of 10%. The under spending resulted from capital projects that were not completed as at year end.

Capital expenditure is funded from conditional and unconditional grants.

Refer to 5.7 for capital spending on the five largest projects implemented in the 2011/2012 financial year.

T5.5.0

### 5.5 CAPITAL EXPENDITURE.



# Chapter 5

## 5.6 SOURCES OF FINANCE

### Capital Expenditure – funding sources 2010/11 - 2011/12

Details	2010/11	Original Budget (OB)	Adjustment Budget	Actual	2011/12	
					Adjustment to OB	Actual to OB Variance (%)
Source of finance						
External Loans	0	0	0	0		
Public contributions and donations	0	0	0	0		
Grants and subsidies	16,428,804	100,582,200	80,664,019	73,100,088		
Other						
<b>Total</b>	<b>16,428,804</b>	<b>100,582,200</b>	<b>80,664,019</b>	<b>73,100,088</b>		
<b>Percentage of finance</b>						
External Loans	0	0	0	0		
Public contributions and donations	0	0	0	0		
Grants and subsidies	0	0	0	0		
Other	0	0	0	0		
<b>Capital Expenditure</b>						
Water and Sanitation						
Electricity	0	17,862,500	11,962,500	0	33.03%	100%
Housing	1,603,500	8,100,000	2,500,000	3,468,501	69.14%	57.18%
Roads and storm water	13,041,161	70,696,700	62,951,520	64,968,679	11.30%	8.46%
Other	1,784,143	3,650,000	3,750,000	4,662,908	2.74%	(27.75%)
<b>Total</b>	<b>16,428,804</b>	<b>100,582,200</b>	<b>80,664,019</b>	<b>73,100,088</b>	<b>19.8%</b>	<b>27.32%</b>
<b>Percentage of expenditure</b>						
Water and Sanitation	0%	0%	0%	0%		
Electricity	0%	17.76%	14.83%	0%		
Housing	9.76%	8.05%	3.10%	4.74%		
Roads and storm water	79.38%	70.56%	78.04%	88.88%		
Other	10.86%	3.36%	4.65%	6.38%		

TS.6.1

### COMMENT ON SOURCES OF FUNDING:

A percentage capital charge to total expenditure for the year is 27.32% for the year, which indicated that the municipality is investment more on infrastructure development.

TS.6.1.1



# Chapter 5

## 5.7 CAPITAL SPENDING ON 5 LARGEST PROJECTS

Capital expenditure of 5 largest projects*						
Name of project		Current year		Variance current year		
		Original budget	Adjusted budget	Actual expenditure	Original variance (%)	Adjusted variance (%)
A-Construction of Madibong roads		9,692,964.00	0.00	7,218,184.09	34%	0%
B-Construction of Access roads to Masemola tribal office		6,300,000.00	0.00	6,153,174.44	2%	0%
C-Electrification of Vierfontein D		7,125,000.00	0.00	6,510,120.59	9%	0%
D-Access roads to water treatment		4,841,992.72	0.00	4,000,371.64	21%	0%
E-Construction of Maitla Mapitsane bridge		4,153,452.35	0.00	3,508,547.79	18%	0%
*Projects with the highest capital expenditure in 11/12						
Name of project – A		Construction of Madibong roads & stormwater				
Objective of project		To construct a proper roads				
Delays		Construction of mall				
Future challenges		None				
Anticipated citizen benefits		Accessible by all road user				

T5.7.1

**COMMENT ON CAPITAL PROJECTS:**

For madibong road – there were challenges were realignment of about 200m of the road due to the development of new shopping centre next to the road, which also affected the fence of one household. For water treatment - there were challenges, delays on surfacing of the road due to weather charges during June/July.

For other project no challenges were identified.

TS.7.1.1

## 5.8 BASIC SERVICE AND INFRASTRUCTURE BACKLOGS – OVERVIEW

### INTRODUCTION TO BASIC SERVICE AND INFRASTRUCTURE BACKLOGS

Water & Sanitation – The local municipality does not have any function to provide water this is the function of the district municipality.

Electricity – Makhudathamaga does not provide any services regarding electricity they only have free basic electricity where they give it to indigent customers and also they have high mast project where the main challenges there is that Eskom those not have capacities on those area identified.

Household connections area regulated by a service level agreement between the Municipality and the Department of Energy, however these projects are transferred to the Department of Energy upon completion.

Service Backlogs as at 30 June 2012				
	*service level above minimum standard	**service level below minimum standard	No. HHs	%HHs
Water	19441	36%	37201	64%
Sanitation	7818	10%	48824	90%
Electricity	50741		5901	
Waste management	45911	88%	10731	
Housing			7381	
% HHs are the service above/below minimum standard as a proportion of total HHs. 'housing' refers to *formal and ** informal settlements				

### INTRODUCTION TO CASH FLOW MANAGEMENT AND INVESTMENTS

Effective cash management should be a priority for local governments. It requires timely collections and disbursements, and prudent yet effective investment strategies.

One of the most important functions for a local government is sound cash management, which ensures adequate cash availability, proper safeguarding of assets, and maximum investment yield. Providing for sound cash management will assure that investments are optimized for the best possible return.

The key management features of the Municipality are to:

- > Actively monitor cash flow

- > Accelerate collection of receipts

- > Optimize timing of disbursements

- > Maximize interest earnings while maintaining lawful, prudent, and properly secured investments.

Some of these functions, such as managing receipts and disbursements, are day-to-day. Others, such as planning your investment strategy, have a longer-term outlook.



# Chapter 5

## 5.9. CASH FLOW

Cash Flow Outcomes				
Description	2010/11	Current Year 2011/12		
	Audited Outcome	Original Budget	Adjusted Budget	Actual
<b>Cash Flow From Operating Activities</b>				
Receipts	26,159,559	42,155,914	40,155,914	42,154,223
Ratepayers and other				
Government – operating	114,143,476	128,589,000	130,121,000	128,573,000
Government – capital	33,401,000	41,659,000	44,159,000	40,128,612
Interest earned – debtors	2,924,866	0	4,773,445	6,745,089
Interest earned – investment	3,048,256	3,500,000	3,850,000	3,671,638
Other revenue – Vat Recovery	0	0	0	0
Licenses & permit	2,399,160	4,000,000	4,000,000	2,466,116
Movements in Current Assets	(29,137,617)	0	0	(52,056,015)
Payments	(125,339,765)	(114,671,536)	(153,696,902)	(117,093,655)
Suppliers and employees				
Finance charges	0	(300,000)	(110,000)	(8,730)
Other Expenditure	0	0	0	0
Movements in Current Liabilities	(251,720)	0	0	9,013,910
<b>Net Cash From (Used) operating activities</b>	<b>27,347,215</b>	<b>104,932,378</b>	<b>73,252,457</b>	<b>63,594,188</b>
<b>Cash flows from investing activities</b>				
Receipts				
Proceeds on disposal of PPE				
Decrease (increase) in non-current debtors				
Decrease (increase) other non-current receivables				
Decrease (increase) in non-current investments				
Payments				
Capital Assets				
<b>Net Cash From (Used) investing activities</b>	<b>(17,764,310)</b>	<b>(100,582,200)</b>	<b>(80,664,020)</b>	<b>(58,548,412)</b>
<b>Cash flows from financing activities</b>				
Receipts				
Finance Lease				
Borrowing long term/ refinancing				
Payments				
Repayment of borrowing				
<b>Net Cash From (Used) financing activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>203,315</b>
<b>Net Increase/(Decrease) in cash</b>	<b>9,582,904</b>	<b>4,350,178</b>	<b>(7,411,563)</b>	<b>5,908,877</b>
Cash/cash equivalents at the year begin	65,178,258	47,906,816	74,680,539	74,761,162
Cash/cash equivalents at the year end	74,761,162	52,256,994	67,268,976	80,670,039

Source: MBRR SA7

## COMPONENT D: OTHER FINANCIAL MATTERS

### COMMENT ON CASH FLOW OUTCOMES:

Financial viability of the entity is continuing to improve as reflected in the improving cash flows. The increased cash balances had a positive effect on the interest earned category which shows a 25% increase from the previous financial year.

### 5.10 SUPPLY CHAIN MANAGEMENT

#### SUPPLY CHAIN MANAGEMENT

The Municipality has developed policies and procedures that comply with the supply chain Management Regulation and these policies have been implemented.

No councillors are members of the bid committees.

There are five officials in the supply chain management unit and are in the process of acquiring minimum competency level. There is no one who has already acquired the minimum competency level.

The Auditor general noted an irregular expenditure as a result of contravention of the supply chain management regulation.

### 5.11 GRAP COMPLIANCE

#### GRAP COMPLIANCE

GRAP is the acronym for Generally Recognized Accounting Practice and it provides the rules by which municipalities are required to maintain their financial accounts. Successful GRAP compliance ensures that municipal accounts are comparable and more informative for the municipality. It also ensures that the municipality is more accountable to its citizens and other stakeholders. Information on GRAP compliance is needed to enable National Treasury to assess the pace of progress and consider the implications.

The Municipality fully complied with the GRAP standards for the compilation of the 2011/2012 Annual Financial Statements.



# Chapter 6

## CHAPTER 6 – AUDITOR GENERAL AUDIT FINDINGS

### INTRODUCTION

Note: The Constitution S188 (1) (b) states that the functions of the Auditor-General includes the auditing and reporting on the accounts, financial statements and financial management of all municipalities. MSA S45 states that the results of performance measurement... must be audited annually by the Auditor-General

### COMPONENT A: AUDITOR-GENERAL OPINION OF FINANCIAL STATEMENTS 2010/11

#### 6.1 AUDITOR GENERAL REPORTS 2010/11

Auditor-General Report on Service Delivery Performance 2010/11	
Audit Report status*: Completed	Disclaimer
<b>Non-Compliance Issues</b>	
Water Infrastructure assets recognised by the municipality	Remedial Action Taken
Assets- Budget exceeded	All water related assets were transferred to the district
Incorrect recognition of accrual in the financial statements.	Budget is being checked before any order is been made.
Management has not considered the general key performance indicators as prescribed by the MSA	Chief Financial Officer reviews the annual financial statement prior before being finalised.
indicators as prescribed by the MSA	The municipality will ensure that all relevant key performance indicators as prescribe in terms of section 43 of the Act are included in the integrated development plan

T6.1.2



# Chapter 6

## COMPONENT B: AUDITOR-GENERAL OPINION 2011/12

### 6.2 AUDITOR GENERAL REPORT 2011/12

Auditor-General Report on Financial Performance 2011/12	
Audit Report status*: Completed	Qualified Audit Opinion
<b>Non-Compliance Issues</b>	
<b>Remedial Action Taken</b>	
Comments incomplete and do not tie to financial statements	
Tenders awarded using the incorrect preference points system	<p>Reconcile the contract register, Retention schedule and Work in progress schedule will be updated regularly to and reviewed to ensure that all project that are not completed at year end are included in the commitment schedule</p> <p>Scrutinize the entire expenditure cash book to identify payments made in contravention of supply chain management policy.</p> <p>Adjust irregular expenditure disclosure note in the annual financial statement.</p> <p>The report for irregular expenditure will be provided to the Municipal Manager and the Council for condoning.</p> <p>Declaration of interest form will be cascaded down to project below R 200 000.00</p> <p>The municipality will ensure that the 2011/12 annual report is submitted to AG, Treasury, and Provincial department responsible for local government on time immediately after tabled to council.</p> <p>Declaration of interest form will be cascaded down to project below R 200 000.01</p>
Suppliers did not declare interest in state organisations	<p>Tenders will be awarded to the highest in terms of the points. If the Municipality feels the contractor will not be in a position to complete the projection time, the contractor will then be convened.</p> <p>All bids received will be checked against the threshold in order to determine if continue with the evaluation or re-advertise.</p> <p>The municipality will take into consideration past payment history in prior years and current when calculating the provision for debtors and debtors will be grouped per category in order to comply with South African Statement of Generally Accepted Accounting Practise, IAS 39, financial instruments recognition measurement</p> <p>During the execution of final assets verification both immovable and movable assets will be assessed for impairment in terms of GRAP 17 paragraph 61. Residual values and useful lives of all classes of assets will be assessed). CorpMD consulting will also assist hence they assisted the municipality with the unbundling and assessment of useful lives of immovable assets.</p> <p>A system have been updated were it will alert the expenditure department when to make a payment before it reaches 30 days.</p>
Tenders not awarded to highest bidder	
80/20 Preference point system not used to award quotations	<p>Provision for doubtful bad debts not in accordance with the IAS 39</p> <p>Inadequate impairment assessment conducted</p>
Payments not made within 30 days	
<p>Note*: The report's status is supplied by the Auditor – General and ranges from unqualified (at best); to unqualified with other matters specified; qualified; adverse; and disclaimed (at worst). This table will be completed prior to the publication of the Annual Report but following the receipt of the Auditor-General Report on Financial Performance 2011/12</p>	

# Chapter 6

Auditor-General Report on service delivery Performance 2011/12	
Audit Report status*: Completed	Qualified Audit Opinion
Non-Compliance Issues	
Inaccurate information reported in the annual performance report	Management will design and implement mechanisms, systems and processes that monitor measurement and review of performance in respect of key performance indicators and targets.
Performance of service providers	The municipality will ensure that annual performance report reflect the performance of service providers during the year and the development targets set by the municipality for the following year
Targets not achieved and measurable objectives not indicated	The municipality will ensure that targets set are achieved and intervention measures are taken to address non performance.
Prior year comparisons were not adequately documented in the annual performance report.	Municipality will ensure that prior year comparisons are adequately documented in the annual performance report.
Performance Management System not implemented	Municipality will ensure performance management system is implemented that is in line with the requirements set out in section 38 of the Municipal Systems Act
Management has not considered the general performance indicators as prescribed by the MSA	The municipality will ensure that all relevant key performance indicators as prescribe in terms of section 43 of the Act are included in the integrated development plan
There is no system in place to monitor performance	Municipality will ensure that it has appropriate performance information systems so that it is able to fulfil their accountability reporting responsibilities as set out in the MFMA and MSA.
The community was not notified of the adoption of the IDP	The municipality will ensure that they notify the public of the adoption of the IDP within 14 days from the date of adoption.
Non publication of approved SDBIP	Municipality will ensure that the approved SDBIP is made public within 10 days from the date of mayor's approval.
Non compliance with section 24 (3) of the MFMA	Municipality will ensure that the approved annual budget and the approved SDBIP are submitted to the National Treasury and the relevant provincial treasury within ten working days.
Progress reported in the annual performance report is not supported by valid supporting documentation at year end	Municipality will establish a performance management unit to ensure that the annual performance report is accurate and supporting documentation exists for progress achieved.
Poor alignment between the IDP, SDBIP and Annual Performance report	Municipality will ensure that all planned objectives are reported in the annual performance report.
No targets documented on the SDBIP	The municipality will monitor preparation of the Service Delivery and Budget Implementation Plan (SDBIP) and the Integrated Development Plan (IDP) and review their contents to ensure that targets are documented for all identified key performance indicators as required by the above mentioned regulations and all planned indicators and related targets are reported in the annual performance report.
No proper system in place for collecting, collating and recording information.	The accounting officer will ensure that municipality has appropriate system or mechanism to collect, collate and verify information
Measures to improve targets not disclosed in the annual performance report	Municipality will ensure that the annual performance report is adequately reviewed and it contains all



# Chapter 6

information required by laws and regulations	
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AUDITOR GENERAL REPORT ON THE FINANCIAL STATEMENTS 2011/12	AS PER ANNEXURE
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COMMENTS ON AUDITOR-GENERAL'S OPINION 2011/12:	<p>Since the commencement of this municipality the municipality was getting a disclaimer audit opinion and in June 2012 which is 2011/2012 financial year the municipality managed to obtain a qualified audit opinion which indicates that the municipality is improving and it will be able to get unqualified audit opinion in 2012/2013 financial year.</p>
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COMMENTS ON MFMA SECTION 71 RESPONSIBILITIES: Section 71 of the MFMA requires municipalities to return a series of financial performance data to the National Treasury at specified intervals throughout the year. The Chief financial officer states that these data sets have been returned according to the reporting requirements.	<p>Signed (Chief financial officer).....</p> <p>Date 05/08/2013</p> <p>Dated 18/08/2013</p>
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<b>Accessibility indicators</b>	Explore whether the intended beneficiaries are able to access services or outputs.
<b>Accountability documents</b>	Documents used by executive authorities to give "full and regular" reports on the matters under their control to Parliament and provincial legislatures as prescribed by the Constitution. This includes plans, budgets, in-year and Annual Reports.
<b>Activities</b>	The processes or actions that use a range of inputs to produce the desired outputs and ultimately outcomes. In essence, activities describe "what we do".
<b>Adequacy indicators</b>	The quantity of input or output relative to the need or demand.
<b>Annual Report</b>	A report to be prepared and submitted annually based on the regulations set out in Section 121 of the Municipal Finance Management Act. Such a report must include annual financial statements as submitted to and approved by the Auditor-General.
<b>Approved Budget</b>	The annual financial statements of a municipality as audited by the Auditor General and approved by council or a provincial or national executive.
<b>Baseline</b>	Current level of performance that a municipality aims to improve when setting performance targets. The baseline relates to the level of performance recorded in a year prior to the planning period.
<b>Basic municipal service</b>	A municipal service that is necessary to ensure an acceptable and reasonable quality of life to citizens within that particular area. If not provided it may endanger the public health and safety or the environment.
<b>Budget year</b>	The financial year for which an annual budget is to be approved – means a year ending on 30 June.

# GLOSSARY

<b>Cost indicators</b>	The overall cost or expenditure of producing a specified quantity of outputs.
<b>Distribution indicators</b>	The distribution of capacity to deliver services.
<b>Financial Statements</b>	Includes at least a statement of financial position, statement of financial performance, cash-flow statement, notes to these statements and any other statements that may be prescribed.
<b>General key performance indicators</b>	After consultation with MECs for local government, the Minister may prescribe general key performance indicators that are appropriate and applicable to local government generally.
<b>Impact</b>	The results of achieving specific outcomes, such as reducing poverty and creating jobs.
<b>Inputs</b>	All the resources that contribute to the production and delivery of outputs. Inputs are "what we use to do the work". They include finances, personnel, equipment and buildings.
<b>Integrated Development Plan (IDP)</b>	Set out municipal goals and development plans.
<b>National Key performance areas</b>	<ul style="list-style-type: none"> <li>• Service delivery &amp; infrastructure</li> <li>• Economic development</li> <li>• Municipal transformation and institutional development</li> <li>• Financial viability and management</li> <li>• Good governance and community participation</li> </ul>
<b>Outcomes</b>	The medium-term results for specific beneficiaries that are the consequence of achieving specific outputs. Outcomes should relate clearly to an institution's strategic goals and objectives set out in its plans. Outcomes are "what we wish to achieve".
<b>Outputs</b>	The final products, or goods and services produced for delivery. Outputs may be defined as "what we produce or deliver". An output is a concrete achievement (i.e. a product such as a passport, an action such as a presentation or immunization, or a service such as processing an application) that contributes to the achievement of a Key Result Area.

<b>Performance Indicator</b>	Indicators should be specified to measure performance in relation to input, activities, outputs, outcomes and impacts. An indicator is a type of information used to gauge the extent to which an output has been achieved (policy developed, presentation delivered, service rendered)
<b>Performance Information</b>	Generic term for non-financial information about municipal services and activities. Can also be used interchangeably with performance measure.
<b>Performance Standards:</b>	The minimum acceptable level of performance or the level of performance that is generally accepted. Standards are informed by legislative requirements and service-level agreements. Performance standards are mutually agreed criteria to describe how well work must be done in terms of quantity and/or quality and timeliness, to clarify the outputs and related activities of a job by describing what the required result should be. In this EPMDS performance standards are divided into indicators and the time factor.
<b>Performance Targets:</b>	The level of performance that municipalities and its employees strive to achieve. Performance Targets relate to current baselines and express a specific level of performance that a municipality aims to achieve within a given time period.
<b>Service Delivery Budget Implementation Plan</b>	Detailed plan approved by the mayor for implementing the municipality's delivery of services, including projections of the revenue collected and operational and capital expenditure by vote for each month. Service delivery targets and performance indicators must also be included.
<b>Vote:</b>	<p>One of the main segments into which a budget of a municipality is divided for appropriation of money for the different departments or functional areas of the municipality. The Vote specifies the total amount that is appropriated for the purpose of a specific department or functional area.</p> <p>Section 1 of the MFMA defines a "vote" as:</p> <p>a) one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and</p> <p>b) which specifies the total amount that is appropriated for the purposes of the department or functional area concerned</p>



# APPENDICES

## APPENDICES

### APPENDIX A – FUNCTIONS OF MUNICIPALITY

Municipal/Entity Functions		
Municipal Functions	Function applicable to Municipality (Yes/No)*	Entity (yes/no) applicable to Function
Constitution schedule 4, Part B functions		
Air Pollution	no	
Building Regulations	yes	
Child Care facilities	yes	
Electricity and gas reticulation	no	
Fire fighting services	no	
Local tourism	yes	
Municipal airports	yes	
Municipal planning	yes	
Municipal Health Services	no	
Municipal Public Transport	yes	
Municipal Public works only in respect of the needs of municipalities in the discharge of their responsibilities to administer functions specifically assigned to them under this constitution or any other	yes	
Pontoons, ferries, jetties, piers and harbours, excluding the regulation of international and national shipping and matters related	yes	
Storm water management systems in built up areas	yes	
Trading regulations	yes	
Water and sanitation services limited to potable water supply systems and domestic waste water and sewage disposal systems	no	
<i>Continued next page</i>		

Municipal/Entity Functions		
Municipal Functions	Function Applicable to Municipality (Yes/No)*	Function Applicable to Entity (Yes/No)
Constitution schedule 5, Part B Functions:		
Beaches and amusement facilities	no	
Billboards and the display of advertisements in public places	yes	
Cemeteries, funeral parlours and crematoria	yes	
Cleansing	yes	
Control of public nuisance	yes	
Control of undertakings that sell liquor to the public	no	
Facilities for the accommodation, care and burial of animals	yes	
Fencing and fences	yes	
Licensing of dogs	yes	
Licensing and control of undertakings that sell food to the public	yes	
Local amenities	yes	

# APPENDICES

Local sport facilities	yes
Markets	
Municipal abattoirs	yes
Municipal parks and recreation	yes
Municipal roads	yes
Noise pollution	yes
Pounds	yes
Public places	yes
Refuse removal, refuse dumps and solid waste disposal	yes
Street trading	yes
Street lighting	yes
Traffic and parking	yes
* if municipality: indicate (yes or No); * if entity: provide name of entity	
TD	

## APPENDIX B – WARD REPORTING

Functionality of Ward Committees					
Ward Name (Number)	Name of ward councillor and elected ward committee members	Committee established (Yes/No)	Number of monthly committee meetings held during the year	Number of monthly reports submitted to Speakers office on time	Number of quarterly public ward meetings held during year
1	yes				
2	yes				
3	yes				
4	yes				
5	yes				
6	yes				
7	yes				
8	yes				
9	yes				
10	yes				
11	yes				
12	yes				
13	yes				
14	yes				
15	yes				
16	yes				
17	yes				
18	yes				
19	yes				
20	yes				
21	yes				
22	yes				
23	yes				
24	yes				
25	yes				
26	yes				
27	yes				



# APPENDICES

28	yes				
29	yes				
30	yes				
31	yes				
TE					

## APPENDIX C: CONDITIONAL GRANTS RECEIVED: EXCLUDING MIG

Conditional Grants: Excluding MIG						
Details	Budget	Adjustment	Actual	Variance	Major conditions applied by donor (continue below if necessary)	
					Budget	Budget Adjustment
Neighbourhood development	N/A	N/A	N/A	%		%
Partnership Grant				%		%
				%		%
				%		%
Public Infrastructure and Systems	N/A	N/A	N/A	%		%
Grant				%		%
				%		%
				%		%
Other Specify:				%		%
Integrated	7,500,000	10,000,000	10,000,000	25%		0%
Electrification Program Grant	1,500,000	1,500,000	1,500,000	%		%
Financial Management Grant	790,000	790,000	790,000	%		%
Municipal						
System	790,000	790,000	790,000	%		%
Improvement Grant	9,790,000	12,290,000	12,290,000	25%		0%
Total						

\*this includes neighbourhood development partnership grant, public transport infrastructure and systems Grant and any other grant excluding municipal infrastructure grant (MIG) which is dealt with in the main report, see T5.8.3. Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual.

TL

## COMMENT ON CONDITIONAL GRANTS EXCLUDING MIG:

The Integrated National Electrification Program Grant was increased by R 2 500 000.00.

Other grants were received as per the budget.

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# APPENDICES

## APPENDIX D: CAPITAL EXPENDITURE – NEW & UPGRADE/RENEWAL PROGRAMMES

### APPENDIX D (i): CAPITAL EXPENDITURE - NEW ASSETS PROGRAMME

Capital expenditure – New Assets programme*						
Description	2010/11	2011/12	Planned capital expenditure			
	Actual	Budget	Original	Adjustm	Actual	FY + 1
Capital expenditure by asset class						
Infrastructure – Total	13,041,161	70,969,700	60,231,920	64,802,831	113,433,000	125,100,000
Infrastructure: Road transport – Total	13,041,161	70,969,700	60,231,920	64,802,831	113,433,000	125,100,000
Roads, pavements & Bridges	13,041,161	70,969,700	60,231,920	64,802,831	113,433,000	125,100,000
Storm water						
Infrastructure: Electricity – Total						
Generation						
Transmission & Reticulation						
Street Lighting						
Infrastructure: Water – Total						
Dams & Reservoirs						
Water Purification						
Reticulation						
Infrastructure: Sanitation – Total						
Reticulation						
Sewerage Purification						
Infrastructure: Other – Total						
Waste Management						
Transportation						
Gas						
Other						
Community – Total						
Parks & Gardens						
Sportsfields & Stadium						
Swimming pools						
Community halls						
Libraries						
Recreational facilities						
Fire, safety & emergency						
Security and policing						
Buses						
Clinics						
Museums & Art Galleries						
Cemeteries						
Social rental housing						
Other						

Table continued next page

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Capital Expenditure – new assets programme*						
Description	2010/11	2011/12			Planned Capital Expenditure	
	Actual	Original budget	Adjustment	Actual Expenditure	FY + 1	FY + 2 FY + 3
Capital expenditure by asset class						
Heritage assets total	-	-		-	-	-
Buildings						
other						
Investment properties – total	-	-		-	-	-
Housing development						
Other						
Other assets	3,387,7643	-		8,131,406	6,415,9000	3,43,275
General vehicles	-	3,319,600	3,119,600	2,860,547	2,000,000	-
Specialised vehicles						
Plant & Equipment						
Computers	760,741	1,250,000	1,250,000	955,936	1,000,000	1,450,000
hardware/equipment						
Furniture & other office	1,023,402	300,000	900,000	845,423	315,900	333,275
equipment						
Abattoirs						
Markets						
Civic land and buildings	1,603,500	6,900,000	2,500,000	3,268,500	1,500,000	1,700,000
Other buildings						
Other Land						
Surplus Assets – (Investment or inventory)	-	-		-	-	-
Other						
Agricultural Assets						
List sub-class	-	-		-	-	-
Biological assets						
List sub-class						
Intangibles	1,335,506	-	-	2,895	-	-
Computers–software & programming						
Other (list sub-class)						
Total capital expenditure on renewal of existing assets						
Specialized vehicles						
Refuse						
Fire						
Conservancy						
Ambulances						

\*Note: Information for this table may be sourced from MBRR (2012: Table SA34a)

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# APPENDICES

APPENDIX D (iii): CAPITAL EXPENDITURE – UPGRADE/RENEWAL PROGRAMME

Capital Expenditure – upgrade/Renewal programme*							R'000			
Description	2010/11	2011/12	Planned Capital Expenditure	Actual	Adjusted Budget	Original budget	Actual	FY + 1	FY + 2	FY + 3
Capital expenditure by asset class										
Infrastructure –total	-	-	-	-	-	-	-	-	-	-
Infrastructure: road transport-total	-	-	-	-	-	-	-	-	-	-
Roads, pavements & bridges	-	-	-	-	-	-	-	-	-	-
Storm water	-	-	-	-	-	-	-	-	-	-
Infrastructure: electricity –Total	-	-	-	-	-	-	-	-	-	-
Generation	-	-	-	-	-	-	-	-	-	-
Transmission & Reticulation	-	-	-	-	-	-	-	-	-	-
Street lighting	-	-	-	-	-	-	-	-	-	-
Infrastructure: water – total	-	-	-	-	-	-	-	-	-	-
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-
Water purification	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-
Infrastructure: Sanitation – total	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-
Sewerage purification	-	-	-	-	-	-	-	-	-	-
Infrastructure: other Total	-	-	-	-	-	-	-	-	-	-
Waste management	-	-	-	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-	-	-	-
Gas	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Community	-	-	-	-	-	-	-	-	-	-
Parks & Gardens	-	-	-	-	-	-	-	-	-	-
Sportfields & Stadia	-	-	-	-	-	-	-	-	-	-
Swimming Pools	-	-	-	-	-	-	-	-	-	-
Community Halls	-	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-	-
Recreational facilities	-	-	-	-	-	-	-	-	-	-
Fire, safety & emergency	-	-	-	-	-	-	-	-	-	-
Security and policing	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-
Clinics	-	-	-	-	-	-	-	-	-	-
Museums & Art Galleries	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-
Social rental housing	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-
Buildings	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-



# APPENDICES

Capital Expenditure – upgrade/Renewal programme*						R'000	
Description	2010/11	2011/12			Planned Capital Expenditure		
		Actual	Original budget	Adjustment Budget	Actual Expenditure	FY + 1	FY + 2 FY + 3
Capital expenditure by asset class	Investment properties	-	-	-	-	-	-
	Housing development	-	-	-	-	-	-
	other	-	-	-	-	-	-
	Other assets	-	-	-	-	-	-
	General vehicles	-	-	-	-	-	-
	Specialised vehicles	-	-	-	-	-	-
	Plant & Equipment	-	-	-	-	-	-
	Computers – hardware/equipment	-	-	-	-	-	-
	Furniture & other office equipment	-	-	-	-	-	-
	Abattoirs	-	-	-	-	-	-
Agricultural Assets	Markets	-	-	-	-	-	-
	Civic land and buildings	-	-	-	-	-	-
	Other buildings	-	-	-	-	-	-
	Other Land	-	-	-	-	-	-
	Surplus Assets – (investment or inventory)	-	-	-	-	-	-
	Other	-	-	-	-	-	-
	Biological assets	-	-	-	-	-	-
	List sub-class	-	-	-	-	-	-
	Intangibles	-	-	-	-	-	-
	Computers–software & programming	-	-	-	-	-	-
Specialized vehicles	Other (list sub-class)	-	-	-	-	-	-
	Total capital expenditure on renewal of existing assets	-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-

\*Note: information for this table may be sourced from MBRR (2012: Table SA34b)

TM.2



## **APPENDIX E:**

### **AUDITOR GENERAL REPORT 2011/12**



# REPORT OF THE AUDITOR-GENERAL TO THE LIMPOPO PROVINCIAL LEGISLATURE AND THE COUNCIL ON MAKHODUTHAMAGA LOCAL MUNICIPALITY

## REPORT ON THE FINANCIAL STATEMENTS

### Introduction

I have audited the accompanying financial statements of the Makhuthamaga Local Municipality, set out on pages xx to yy, which comprise the statement of financial position as at 30 June 2012, and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, the notes, comprising a summary of significant accounting policies and other explanatory information.

### Accounting officer's responsibility for the financial statements

The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with GRAP and the requirements of the Municipal Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMFMA) and the Division of Revenue Act 2011 (Act No. 6 of 2011) (DORA), and for such internal control as the accounting officer determines is necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor-General's responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the General Notice issued in terms thereof and international Standards on Auditing. These standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making these risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

## Basis for qualified opinion

### Property, plant and equipment

15 The municipality did not review the residual values and useful lives of movable assets at each reporting date in accordance with the Standards of Generally Recognised Accounting Practice (GRAP). GRAP 17 *Property, plant and equipment* included in the balance of property, plant and equipment is movable assets with a carrying amount of R7 766 091 (2011: R 429 358) as disclosed in note 4 of the financial statements whose residual values and useful lives were not assessed. Consequently, the impact on the carrying values on the property, plant and equipment and the corresponding effect on depreciation and accumulated surplus in terms of the General Recognised Accounting Practice GRAP 3- *Accounting Policies change in accounting estimates and errors* could not be determined as it was impracticable to do so.

### Trade and receivables

8 I was unable to determine whether the municipality used objective evidence as required by the South African Statement of Generally Accepted Accounting Practice, IAS 39, *Financial Instruments Recognition and Measurement* to calculate the debtors impairment included in the provision for debt impairment of R11 650 779 (2011: R 4 432 696) disclosed in note 5 to the financial statements. The municipality's records did not permit the application of alternative audit procedures. Consequently, I was unable to determine whether any adjustments were necessary to consumer debtors of R82 810 854 (2011: R42 007 052) as disclosed in the financial statements.

### Commitments

9 No contract management system was in place for the identification and recognition of contracts and there were no satisfactory alternative audit procedures that I could perform to obtain reasonable assurance that all commitments were properly recorded. Consequently, I was unable to obtain sufficient appropriate audit evidence to satisfy myself as to the completeness and accuracy commitments amounting to R23 762 914 (2011: R10 658 706) as stated in note 28 to the financial statements.

### Irregular expenditure

11 The municipality procured goods and services amounting to R 14 246 482 in contravention of the supply chain management requirements. The amount was not included in note 3 to the financial statements as required by section 32 of the MFMA. Furthermore, due to the inadequate implementation of an appropriate procurement and provisioning system, I was unable to obtain sufficient appropriate evidence that the irregular expenditure identified above and the amount disclosed in note 30 to the financial statements of R1 673 514 represents all the irregular expenditure incurred during the financial year under review.

## Qualified opinion

11 In my opinion, except for the effects of the matters described in the basis for qualified opinion paragraphs, the financial statements present fairly, in all material respects, the financial position of the Makhuduthamaga Local Municipality as at 30 June 2012, its financial performance and its cash flows for the year then ended in accordance with the SA Standards of GRAP and the requirements of MFMA and the DoRA.

## Emphasis of matter

I draw attention to the matters below. My opinion is not modified in respect of this matter.

## Restatement of corresponding figures

12 As disclosed in note 31 to the financial statements, the corresponding figures for the year ended 30 June 2011 have been restated as a result of an error discovered during 2012 in the financial statements of Makhuduthamaga Local Municipality at, and for the year ended 30 June 2011.

## Unauthorised expenditure

13 As disclosed in note 34 to the financial statements, the municipality incurred unauthorised expenditure of R903,812 as a result of overspending on its approved budget.

## Additional matter

I draw attention to the matter below. My opinion is not modified in respect of this matter.

## Unaudited supplementary schedules

14 The supplementary information set out on pages X to Y does not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly, I do not express an opinion thereon.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the PAIA and the General Notice issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal controls, but not for the purpose of expressing an opinion.

## Predetermined objectives

15 I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on pages XX to XX of the annual report.

16 The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury annual reporting principles and whether the reported performance is consistent



with the planned objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the National Treasury Framework for Managing programme performance information.

17. The reliability of the information in respect of the selected objectives is assessed to determine whether it adequately reflects the facts i.e. whether it is valid, accurate and complete.

The material findings are as follows:

#### Usefulness of information

#### Presentation

Measures taken to improve performance not disclosed

Improvement measures in the annual performance report for a total of 69% of the planned targets not achieved were not disclosed as required by section 45 of the Municipal Systems Act (MSA). This was due to inadequate internal policies and procedures over the processes pertaining to the reporting of performance information.

#### Measurability

Performance targets are not specific

18. The National Treasury Framework for Managing programme performance information (FMPP) requires that performance targets be specific in clearly identifying the nature and required level of performance. A total of 21% of the targets relevant to Basic service delivery, Spatial rationale and LED were not specific in clearly identifying the nature and the required level of performance. This was due to the fact management was not aware of the requirements of the FMPP but did not receive the necessary training to enable application of the principles.

#### Reliability of information

Reported targets not supported by sufficient appropriate evidence (validity, accuracy and completeness)

19. I was unable to obtain sufficient appropriate audit evidence to satisfy myself as to the validity, accuracy and completeness of the actual performance reported in the annual performance report. This was due to a lack of a documented management information system and the directorates within the municipality not understanding how to report on targets and what type of portfolio of evidence is required.

## Compliance with laws and regulations

20. I performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations as set out in the *General Notice* issued in terms of the PAA are as follows:

## Strategic planning and performance management

21. The municipality did not establish a performance management system that was in line with the priorities, objectives, indicators and targets contained in its integrated development plan, as required by section 38(a) of the MSA.

## Annual financial statements, performance and annual report

22. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements of current assets, current liabilities and disclosure items identified by the auditors were subsequently corrected, but the uncorrected material misstatements resulted in the financial statements receiving a qualified audit opinion.

23. The municipality did not adopt implement a framework that describes and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed, including determining the roles of different role players as required by section 38.39.40 and 41 of the MSA, read with regulation 7 and 8 of the Municipal Planning and Performance management Regulation 2001.

24. The annual performance report for the year under review does not include a comparison of the performance with set targets as required by section 46(1)(b) of the MSA.
25. The annual performance report for the year under review does not include a comparison with the previous financial year and measures taken to improve performance, as required by section 46(1)(c) of the MSA.
26. The annual performance report did not contain the performance of each external service provider as required by section 46(1)(a).

## Audit committee

27. A performance audit committee was not in place and the audit committee established in terms of the MFMA section 156(1) was not used for this function as required by Municipal Planning and Performance Management Regulation 14(2)(a).

## Internal audit

28. The internal audit did not audit the results of performance measurements, as required by section 45(1)(a) of the MSA and Municipal Planning and Performance Management Regulation 14(1)(a).

29 The internal audit unit did not audit the performance measurements on a continuous basis and submitted quarterly reports on their audits to the municipal manager and the audit committee, as required by Municipal Planning and Performance Management Regulation 14(1)(c).

#### Procurement and contract management

30 Contracts were awarded to bidders based on points given for criteria that differed from those stipulated in the original invitation for bidding in contravention of SCM Regulations 21(b) and 26(1)(a) and the Preferential Procurement Regulations.

31 Contracts were awarded to bidders that did not score the highest points in the evaluation process, as required by section 27(1)(f) of Preferential Procurement Policy Framework Act (PPFA).

32 Construction projects were not always registered with the Construction Industry Development Board (CIDB) as required by section 22 of the CIDB Act and CIDB regulation 18.

33 Awards were made to providers or whose principal shareholders are persons in service of other state institutions in contravention of SCM regulations 44, 8(1).

#### Expenditure management

34 Money owing by the municipality was not always paid within 30 days of receiving an invoice or statement, as required by section 65(2)(e) of the MFMA.

#### Revenue management

35 The accounting officer did not take effective and appropriate steps to timorously collect all money due to the municipality as per the requirements of section 97(b) of the MFMA.

#### Human resource management

36 The competency of financial and other staff management were not assessed promptly in order to identify and address gaps in competency levels as required by the Municipal Regulations on minimum competency level regulation 13.

#### INTERNAL CONTROL

37 I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are linked to the significant deficiencies that resulted in the basis for qualified opinion. The findings on the performance report and the findings on compliance with laws and regulations included in this report.



## Leadership

38. Management does not always provide effective leadership to demonstrate commitment to integrity and ethical values, hence the incidence of irregular expenditure

## Financial and performance management

39. The financial statements and other information to be included in the annual report are not reviewed for accuracy and completeness by the accounting officer.

40. Compliance with laws and regulations were not reviewed and monitored by the accounting officer.

## Governance

The risk assessment procedures implemented by the municipality were not adequate, as all risks affecting the municipality were not identified.

*Heather - General*  
30 November 2012

## **APPENDIX F**

### **: CAPITAL PROGRAMME BY PROJECT BY WARD 2011/12**

Road and Stormwater projects 2011/12		
Project Name	WARD NO	Total Project cost
MIG PROJECTS		
Construction of Kalafong Access Road	18	R 4,548,600.00
Maila Mapitsane(Mokadi) Bridge	15	R 4,573,425.35
Construction of Mohloding/Molebelele Access Bridge	27	R 4,267,213.93
Access road to Water treatment works at Riverside	9	R 5,344,324.16
Construction of Madibong road and Stormwater	19	R 11,053,250.51
Construction of Tikaton/Malaka Access Bridge	7	R 3,963,453.79
Construction of Sehuswane/Makhutso Access Road	31	R 3,222,989.80
Rehabilitation MLM		
Rehabilitation and Expansion of R579: Jane Furse, Nebo, New Jane Furse Hospital Road and Old Jane Furse Hospital Road	18	R 3,997,195.47
MLM PROJECTS		
Construction of Access Road to Mohala Tribal Office	21	R 3,020,695.82
Construction of Access Bridge to Mathibeng Graveyard	23	R 3,258,593.38
Construction of Access Road to Sekwati Tribal Office	20	R 3,504,828.56
Construction of Access Road to Mangeneng Tribal Office	17	R 6,751,797.71
Construction of Access Road to Seopela Tribal Office	16	R 4,212,636.69
Construction of Access Road to Ga-Masemola Tribal Office	27	R 7,329,360.85
Construction of Access Road to Madihlaba Tribal Office	10	R 3,858,511.74
Construction of Access Road to Sekhukhune Office	14	R 3,517,916.64



ELECTRICITY PROJECTS FOR 2011/2012 FINANCIAL YEAR  
DOE PROJECTS

PROJECT NAME	WARD NO	TOTAL PROJECT COST
MASEMOLA MANARE-MABOPANE 11/12	28	R 1,624,791.81
SETLABOSWANE 11/12	30	R 1,925,282.42
Vierfontein D 11/12	4	R 6,510,120.60

## **APPENDIX G**

### **: ANNUAL FINANCIAL STATEMENTS**

**2011/12**

**MAKHUDUTHAMAGA LOCAL MUNICIPALITY**  
(Municipal demarcation code LM473)  
**ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30/06/2012**





## Makhuduthamaga Local Municipality

(Municipal demarcation code LIM473)

Annual Financial Statements for the year ended 30/06/2012

### General Information

Legal form of entity	Local municipality
Nature of business and principal activities	Provision of municipal quality services and maintaining the best interests of the local community in the Makhuduthamaga area
Mayor	Cllr Matlala M.A
Speaker	Cllr Makaleng M
Chief Whip	Cllr Malaka MS
Executive Councillors	Cllr Mampane M.A Cllr Lerobane M.P Cllr Masebola H.R Cllr Madiba M.F Cllr Mndebele M.E Cllr Matjokane N.M Cllr Makaleng M.M Cllr Maisela K.R Cllr Tala M.A
Grading of local authority	Low capacity municipality
Accounting Officer	Moropa M.E
Chief Finance Officer (CFO)	Diale D.S
Postal address	Private Bag x 434 Jane Furse 1085
Bankers	ABSA Bank Limited
Auditors	Auditor General

# Makhuduthamaga Local Municipality

(Municipal demarcation code LIM473)  
Annual Financial Statements for the year ended 30/06/2012

## Index

The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

Index	
Accounting Officer's Responsibilities and Approval	4
Draft Audit Committee Report	5
Accounting Officer's Report	6
Statement of Financial Position	7
Statement of Financial Performance	8
Statement of Changes in Net Assets	9
Cash Flow Statement	10
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## Makhuduthamaga Local Municipality

(Municipal demarcation code LIM473)

Annual Financial Statements for the year ended 30/06/2012

## Index

### Abbreviations

COLD	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DME	Department of Minerals and Energy
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)



## Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practices (GRAP).

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

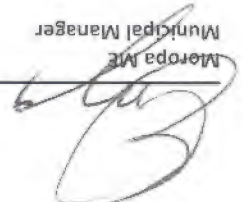
The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2013 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements set out on pages 6 to 46, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2012 and were signed on its behalf by:

Moropa M  
Municipal Manager



## Audit Committee Report

We are pleased to present our report for the financial year ended 30/06/2012.

### Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet 4 times per annum as per its approved terms of reference. During the current year 6 meetings were held.

Name of member	Number of meetings attended
Ntwampe R.G (Chairperson)	6
Mashala K.E	3
Nekhahamba S.B	6
Gafane L.A.T (Appointed 15 December 2011)	0
Chune V.K (Appointed 15 December 2011)	3

### Audit committee responsibility

We report that we have adopted appropriate formal terms of reference in our charter in line with the requirements of section 166(2)(a) of the MFMA. We further report that we have conducted our affairs in compliance with this charter.

### The effectiveness of internal control

The system of internal controls applied by the municipality over financial and risk management is effective, efficient and transparent. In line with the MFMA and the King III Report on Corporate Governance requirements, Internal Audit provides the Audit Committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations there from. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

We are satisfied with the content and quality of monthly and quarterly reports prepared and issued by the auditors of the municipality during the year under review.

### Evaluation of annual financial statements

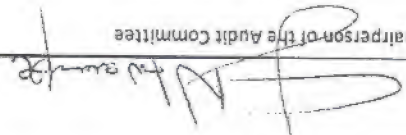
We have:

- Reviewed changes in accounting policies and practices;
- Reviewed the entities compliance with legal and regulatory provisions;

### Internal audit

We are satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

Chairperson of the Audit Committee



Date: 30/08/2012

## Accounting Officer's Report

The accounting officer submits his report for the year ended 30/06/2012.

### 1. Review of activities

#### Main business and operations

The municipality is an investment and management entity with trading controlled entities engaged in provision of municipal quality services and maintaining the best interests of the local community in the Makhuduthamaga area. The municipality operates principally in South Africa.

Net surplus of the municipality was R 81,114,048 (2011: surplus R 65,544,558).

### 2. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

### 3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

### 4. Accounting policies

The annual financial statements prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

### 5. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name	ME Moropa
Nationality	South African

### 6. Bankers

The municipality banks primarily with ABSA Bank Limited.

### 7. Auditors

The Auditor General will continue in office for the next financial period.



# Makhuduthamaga Local Municipality

(Municipal demarcation code LIM473)  
Annual Financial Statements for the year ended 30/06/2012

## Statement of Financial Position

Figures in Rand	Note(s)	2012	2011
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	6	507,095	477,345
VAT receivable	7	17,883,570	14,002,206
Consumer debtors	8	71,160,075	37,574,356
Cash and cash equivalents	9	80,670,039	74,761,162
<b>Non-Current Assets</b>		<b>170,220,779</b>	<b>126,815,069</b>
Investment property	3	1,171,500	1,171,500
Property, plant and equipment	4	161,875,412	114,639,338
Intangible assets	5	964,288	1,274,799
<b>Total Assets</b>		<b>334,231,979</b>	<b>243,900,706</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables from exchange transactions	12	24,334,352	19,854,830
Unspent conditional grants and receipts	11	4,638,388	104,000
<b>Non-Current Liabilities</b>		<b>28,972,740</b>	<b>19,958,830</b>
Finance lease obligation	10	203,315	-
<b>Total Liabilities</b>		<b>29,176,055</b>	<b>19,958,830</b>
<b>Net Assets</b>		<b>305,055,924</b>	<b>223,941,876</b>
<b>Accumulated surplus</b>			
		305,055,924	223,941,876

**Makhuduthamaga Local Municipality**  
(Municipal demarcation code LIM473)  
Annual Financial Statements for the year ended 30/06/2012

**Statement of Financial Performance**

Figures in Rand	Note(s)	2012	2011
<b>Revenue</b>			
Administration and management fees received	16	2,466,116	2,399,160
Government grants & subsidies	15	168,701,612	147,544,476
Interest received	22	10,416,727	5,973,122
Property rates	14	41,358,051	24,906,459
Rental of facilities and equipment	16	92,511	33,899
Other income		703,661	1,219,201
<b>Total Revenue</b>		<b>223,738,678</b>	<b>182,076,317</b>
<b>Expenditure</b>			
Administration		(6,494,661)	(5,013,348)
VAT Impairment	7	(7,337,286)	-
Contracted services	25	(3,935,302)	(5,803,750)
Loss on sale of Assets		(1,344,596)	-
Debt impairment	21	(7,221,896)	(1,866,467)
Depreciation and amortisation	23	(9,618,467)	(8,747,844)
Finance costs		(8,730)	-
General Expenses	17	(46,820,841)	(46,165,085)
Grants and subsidies paid	26	(4,279,906)	(3,260,347)
Personnel	19	(25,671,515)	(20,952,976)
Remuneration of councillors	20	(13,951,429)	(13,496,393)
Repairs and maintenance		(15,940,001)	(11,225,549)
<b>Total Expenditure</b>		<b>(142,624,630)</b>	<b>(116,531,759)</b>
<b>Surplus for the year</b>		<b>81,114,048</b>	<b>65,544,558</b>

# Makhuduthamaga Local Municipality

(Municipal demarcation code LIM473)  
Annual Financial Statements for the year ended 30/06/2012

## Statement of Changes in Net Assets

Figures in Rand		
Accumulated	Total net	
surplus	assets	
216,860,523	216,860,523	Opening balance as previously reported
(58,463,205)	(58,463,205)	Adjustments
		Prior year adjustments
158,397,318	158,397,318	Balance at 01/07/2010 as restated
65,544,558	65,544,558	Changes in net assets
65,544,558	65,544,558	Surplus for the year
		Total changes
223,941,876	223,941,876	Balance at 01/07/2011
		Changes in net assets
81,114,048	81,114,048	Surplus for the year
		Total changes
305,055,924	305,055,924	Balance at 30/06/2012



# Makhuduthamaga Local Municipality

(Municipal demarcation code LIM473)  
Annual Financial Statements for the year ended 30/06/2012

## Cash Flow Statement

Figures in Rand		Note(s)	2012	2011
<b>Cash flows from operating activities</b>				
<b>Receipts</b>				
Cash received from Consumers, Government and other sources of revenue	161,265,936		10,416,727	146,965,577
Interest income	171,682,663		152,938,699	
<b>Payments</b>				
Cash paid to suppliers, employees and other related services	(108,088,475)		(125,591,485)	
<b>Net cash flows from operating activities</b>	<b>63,594,188</b>	<b>27</b>	<b>27,347,214</b>	
<b>Cash flows from investing activities</b>				
<b>Purchase of property, plant and equipment</b>	<b>(58,545,517)</b>	<b>4</b>	<b>(16,428,804)</b>	
Proceeds from sale of property, plant and equipment	659,786	4	-	
Purchase of other intangible assets	(2,895)	5	(1,335,506)	
<b>Net cash flows from investing activities</b>	<b>(57,888,626)</b>		<b>(17,764,310)</b>	
<b>Cash flows from financing activities</b>				
Finance lease payments	203,315		-	
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>5,908,877</b>		<b>9,582,904</b>	
Cash and cash equivalents at the beginning of the year	74,761,162		65,178,258	
Cash and cash equivalents at the end of the year	80,670,039	9	74,761,162	

## Accounting Policies

### 1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with the previous period, except for the changes set out in note Changes in accounting policies.

#### 1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

##### Trade receivables, loans and other receivables

The municipality assesses its trade receivables, loans and other receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, loans and other receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

##### Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

##### Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time.

##### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note - Provisions.

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**Accounting Policies**

**1.1 Significant judgements and sources of estimation uncertainty (continued)**

**Effective interest rate**

The municipality used the prime interest rate plus 1% to discount future cash flows.

**Allowance for doubtful debts**

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.



## Accounting Policies

### 1.2 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, and only when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the enterprise, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

#### Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the fair value of investment property under construction is not determinable, it is measured at cost until the earlier of the date it becomes determinable or construction is complete.

## Accounting Policies

### 1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost), if the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Land	Indefinite
Buildings	25 years
Plant and machinery	2 - 10 years
Furniture and fixtures	7 years

## Accounting Policies

### 1.3 Property, plant and equipment (continued)

Motor vehicles	8 years
Office equipment	3 - 4 years
IT equipment	3 years
Prefabricated culverts	25 years
Concrete kerbing, channeling, chutes and Downpipes	40 years
Mass Earthworks	80 years
Pavement layers	15 years
Prime coat	15 years
Double seals	15 years
Pitching, stonework and protection	15 years
Gabions	25 years
Guardrails	25 years
Road signs	15 years
Road markings	15 years
Concrete block paving for roads	15 years
Concrete for structures	15 years
Street lighting	15 years
High mast lights	15 years
Capital work in progress	Not depreciated

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Depreciation is calculated on a straight line basis from the time depreciable assets become ready for use.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

### 1.4 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.



## Accounting Policies

### 1.4 Intangible assets (continued)

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Computer software 3 - 5 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

### 1.5 Financial instruments

#### Classification

The municipality classifies financial assets and financial liabilities into the following categories:

- Loans and receivables
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

#### Initial recognition and measurement

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Regular way purchases of financial assets are accounted for at settlement date.

#### Subsequent measurement

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

#### Impairment of financial assets

## Accounting Policies

## 1.5 Financial instruments (continued)

At each end of the reporting period the municipality assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the municipality, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in surplus or deficit - is removed from equity as a reclassification adjustment in other comprehensive income and recognised in surplus or deficit.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

## Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

## Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

## Accounting Policies

### 1.5 Financial instruments (continued)

#### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

#### Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

- A gain or loss on a financial asset or financial liability classified as at fair value through surplus or deficit is recognised in surplus or deficit;
- A gain or loss on an available-for-sale financial asset is recognised directly in net assets, through the statement of changes in net assets, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in net assets is recognised in surplus or deficit; and
- For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

#### Derecognition

#### Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the municipality retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the municipality has transferred its rights to receive cash flows from the asset and either
  - has transferred substantially all the risks and rewards of the asset, or
  - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the municipality has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset, the asset is recognised to the extent of the municipality's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the municipality could be required to repay. Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the municipality's continuing involvement is the amount of the transferred asset that the municipality may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

#### Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in surplus or deficit.



## **Accounting Policies**

### **1.6 Leases**

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

#### **Finance leases - lessee**

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

## Accounting Policies

### 1.7 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for:

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### 1.8 Employee benefits

#### Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

### 1.9 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

## Accounting Policies

### 1.9 Provisions and contingencies (continued)

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding agreement.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.



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**Accounting Policies**

**1.9 Provisions and contingencies (continued)**

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 29.

**1.10 Revenue from exchange transactions**

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

## Accounting Policies

### 1.10 Revenue from exchange transactions (continued)

#### Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

#### Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

#### Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

## Accounting Policies

### 1.11 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

#### Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

#### Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.



## Accounting Policies

## Levies

Levies are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

Levies are based on declarations completed by levy payers. The estimate of levies revenue when a levy payer has not submitted a declaration are based on the following factors:

- the extent and success of procedures to investigate the non-submission of a declaration by defaulting levy payers;
- internal records maintained of historical comparisons of estimated levies with actual levies received from individual levy payers;
- historical information on declarations previously submitted by defaulting levy payers; and
- the accuracy of the database of levy payers as well as the frequency by which it is updated for changes.

Changes to estimates made when more reliable information becomes available are processed as an adjustment to levies revenue.

## Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

When government remit grants on a re-imbursment basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

## Other grants and donations

Other grants and donations are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

## 1.12 Turnover

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value added taxation.

## Accounting Policies

### 1.13 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

### 1.14 Comparative information

When the presentation or classification of items in the annual financial statement are amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the comparatives are restated retrospectively as far as is practicable, and the prior year comparative amounts are restated accordingly.

### 1.15 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.16 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.17 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is:

(a) expenditure incurred by a municipal entity in contravention of, or that is not in accordance with, a requirement of this Act, and which has not been condoned in terms of section 170;

(b) expenditure incurred by a municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;

(c) expenditure incurred by a municipal entity in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or

(d) expenditure incurred by a municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law, but excludes expenditure by a municipality which falls within the definition of "unauthorised expenditure".

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

## Accounting Policies

### 1.17 Irregular expenditure (continued)

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

### 1.18 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

### 1.19 Presentation of currency

These annual financial statements are presented in South African Rand.

### 1.20 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP

### 1.21 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

### 1.22 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.



## **Accounting Policies**

### **1.23 Budget information**

Municipalities are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipalities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The annual financial statements and the budget are not on the same basis of accounting therefore a reconciliation between the statement of financial performance and the budget have been included in the annual financial statements. Refer to note 37.

## Makhuduthamaga Local Municipality

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### Notes to the Annual Financial Statements

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#### 2. New standards and interpretations

##### 2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01/07/2012 or later periods:

##### 2.2 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01/07/2012 or later periods but are not relevant to its operations:

#### 3. Investment property

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal are as follows:

Contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements is as follows:

In the exceptional cases when the municipality have to measure investment property using the cost model in the Standard of GRAP on Property, Plant and Equipment when the municipality subsequently uses the fair value measurement, disclose the following:

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is highly likely to lie, and
- on disposal of investment property not carried at fair value:
- the fact that the entity has disposed of investment property not carried at fair value,
- the carrying amount of that investment property at the time of sale, and
- the amount of gain or loss recognised.

When the municipality's policy is to subsequently measure investment property on the cost model, when the municipality cannot determine the fair value of the investment property reliably, the municipality must disclose:

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is highly likely to lie, and

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### 4. Property, plant and equipment

	2012	2011
Cost / Accumulated depreciation	Carrying value	Cost / Accumulated depreciation
Valuation	Valuation	Carrying value

Total	189,387,832	(27,512,420)	161,875,412	136,308,738	(21,669,400)	114,639,338
Land	200,000	-	200,000	-	-	-
Buildings	17,026,605	(3,225,747)	13,800,858	13,758,105	(2,629,373)	11,128,732
Furniture and fixtures	1,928,953	(811,892)	1,117,061	2,729,045	(1,055,424)	1,673,621
Motor vehicles	7,403,848	(3,208,623)	4,195,225	7,657,055	(4,516,448)	3,140,607
Office equipment	997,454	(465,912)	531,542	977,078	(327,019)	650,059
IT equipment	2,171,657	(837,038)	1,334,619	2,192,830	(1,024,338)	1,168,492
Infrastructure	107,042,245	(18,792,378)	88,249,867	95,067,922	(12,079,105)	82,988,817
Loose tools	758,474	(170,830)	587,644	507,891	(37,693)	470,198
Capital work in progress	51,858,596	-	51,858,596	13,418,812	-	13,418,812

### Reconciliation of property, plant and equipment - 2012

Opening balance	Additions	Disposals	Other changes, movements	Depreciation	Total
114,639,338	73,100,088	(2,004,381)	(14,554,571)	(9,305,062)	161,875,412
Land	-	-	-	-	200,000
Buildings	3,268,501	-	-	(596,375)	13,800,858
Furniture and fixtures	1,673,621	(514,782)	-	(414,138)	1,117,061
Motor vehicles	3,140,607	(896,345)	-	(909,584)	4,195,225
Office equipment	650,059	(63,809)	-	(185,420)	531,542
IT equipment	1,168,492	(449,336)	-	(341,473)	1,334,619
Infrastructure	82,988,817	-	-	(6,713,274)	88,249,867
Loose tools	470,198	(80,109)	-	(144,798)	587,644
Capital work in progress	13,418,812	52,994,355	(14,554,571)	-	51,858,596

### Reconciliation of property, plant and equipment - 2011

Opening balance	Additions	Transfers i.r.o. prior period	Depreciation	Total
101,957,525	16,428,804	4,940,145	(8,687,136)	114,639,338
Buildings	1,024,436	1,603,500	(499,204)	11,128,732
Furniture and fixtures	1,859,271	187,069	(372,719)	1,673,621
Motor vehicles	4,476,623	-	(1,336,016)	3,140,607
Office equipment	421,319	349,240	(120,500)	650,059
IT equipment	686,793	760,741	(279,042)	1,168,492
Infrastructure	83,014,377	1,079,269	(6,044,974)	82,988,817
Loose tools	17,786	487,093	(34,681)	470,198
Capital work in progress	1,456,920	11,961,892	-	13,418,812



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### Notes to the Annual Financial Statements

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	2012	2011
5. Intangible assets		

	2012	2011
Computer software, other	1,338,401	1,335,506
Cost / Accumulated	(374,113)	(60,707)
Valuation amortisation	964,288	1,274,799
Carrying value		

#### Reconciliation of intangible assets - 2012

Computer software, other	Opening balance	Additions	Amortisation	Total
	1,274,799	2,895	(313,406)	964,288

#### Reconciliation of intangible assets - 2011

Computer software, other	Opening balance	Additions	Amortisation	Total
	-	1,335,506	(60,707)	1,274,799

#### 6. Inventories

Consumable stores	507,095	477,345
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#### 7. VAT receivable

VAT	17,883,570	14,002,206
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VAT is payable on invoice basis and claimed from SARS when an invoice is received.

#### Reconciliation of VAT Receivable

Opening balance	14,002,206	10,116,513
Plus: Net refund as per VAT 201s	16,462,912	10,503,867
Plus: VAT suspense - Retention current	3,066,131	2,643,577
Less: Prior year suspense	(2,643,577)	(623,969)
Less: VAT impairment	(7,337,286)	-
Less: VAT payment by SARS - Current year	(794,388)	(5,634,333)
Less: VAT payment by SARS - prior year	(4,872,428)	(3,003,449)
	17,883,570	14,002,206

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	2012	2011
<b>8. Consumer debtors</b>		
<b>Gross balances</b>		
Rates	82,810,854	42,007,052
<b>Less: Provision for debt impairment</b>		
Rates	(11,650,779)	(4,432,696)
<b>Net balance</b>		
Rates	71,160,075	37,574,356
<b>Rates</b>		
Current (0 - 31 days)	5,398,908	5,718,629
32 - 61 days	3,600,163	1,995,390
62 - 91 days	3,752,449	1,827,956
92 - 121 days	3,974,869	1,786,488
>122 days	54,433,686	26,245,892
	<b>71,160,075</b>	<b>37,574,355</b>
<b>Reconciliation of debt impairment provision</b>		
Balance at beginning of the year	(4,432,697)	(2,566,229)
Contribution to provision	(7,218,082)	(1,866,468)
	<b>(11,650,779)</b>	<b>(4,432,697)</b>

#### Consumer debtors past due but not impaired

Consumer debtors which are less than 3 months past due are not considered to be impaired excluding Government debtors. At 30/06/2012, R 62 770 168 (2011: R 31,855,725) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	3,600,163	1,995,390
2 months past due	3,752,450	1,827,955
3 months past due	3,974,869	1,786,488
4 months past due	54,442,686	26,245,892

#### Consumer debtors impaired

As of 30/06/2012, consumer debtors of (R 11 641 779) (2011: R (4,432,697)) were impaired and provided for.

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### Notes to the Annual Financial Statements

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#### 9. Cash and cash equivalents

Cash and cash equivalents consist of:

	2012	2011
Cash on hand	435	618
Bank balances	80,669,604	74,760,544
	<b>80,670,039</b>	<b>74,761,162</b>

The municipality had the following bank accounts

Account number / description	30/06/2012	30/06/2011	Bank statement balances	30/06/2012	30/06/2011	Cash book balances
ABSA Bank - 4069702429 - Call account	61,881,811	60,050,344	61,881,811	60,050,344	61,881,811	60,050,344
ABSA Bank - 4063761912 - Traffic cheque account	15,144,338	13,072,090	15,144,338	13,072,090	15,144,338	13,068,266
ABSA Bank - 4050384145 - Primary cheque account	3,212,454	2,368,477	3,212,454	2,368,477	2,454,961	1,591,409
ABSA Bank - 4076690079 - Salaries bank account	1,671,389	515,292	1,671,389	515,292	1,188,495	50,525
<b>Total</b>	<b>81,909,992</b>	<b>76,006,203</b>		<b>80,669,605</b>		<b>74,760,544</b>



# Makhuduthamaga Local Municipality

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Annual Financial Statements for the year ended 30/06/2012

## Notes to the Annual Financial Statements

Figures in Rand

	2012	2011
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### 10. Finance lease obligation

Present value of minimum lease payments due			
- within one year	138,256	-	-
- in second to fifth year inclusive	80,649	-	-
	218,905	-	-
less: future finance charges	(15,590)	-	-
	203,315	-	-
Present value of minimum lease payments			

The average lease term was 2 years and the average effective borrowing rate was linked to the prime lending rate. Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 4, under IT equipment.

### 11. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts			
Municipal Infrastructure Grant	4,030,388	104,000	-
Expanded Public Works Programme (Dept of Public Works) Incentive Grant	608,000	104,000	-
Movement during the year			

Balance at the beginning of the year			
11,299,501	104,000	11,299,501	104,000
Additions during the year			
4,534,388	104,000	4,534,388	104,000
Income recognition during the year			
-	-	-	(11,299,501)
104,000			

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited, and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 15 for reconciliation of grants from Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

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### Notes to the Annual Financial Statements

Figures in Rand		2012	2011
<b>12. Trade and other payables from exchange transactions</b>			
Trade payables	18,950,100	13,342,901	
Payments received in advanced - contract in process	193,193	-	
Creditor: Ward committee	13,814	5,000	
Accrued leave pay	-	1,351,567	
Accruals	5,135,601	5,146,151	
Deposits received	41,644	9,211	
	<b>24,334,352</b>	<b>19,854,830</b>	
<b>13. Revenue</b>			
Property rates	41,358,051	24,906,459	
Rental of facilities & equipment	92,511	33,899	
Government grants & subsidies	168,701,612	147,544,476	
	<b>210,152,174</b>	<b>172,484,834</b>	
<b>The amount included in revenue arising from exchanges of goods or services are as follows:</b>			
	92,511	33,899	
<b>The amount included in revenue arising from non-exchange transactions is as follows:</b>			
Property rates	41,358,051	24,906,459	
Government grants & subsidies	168,701,612	147,544,476	
	<b>210,059,663</b>	<b>172,450,935</b>	
<b>14. Property rates</b>			
Rates received	41,358,051	24,906,459	
Property Rates			
Valuations			
Commercial	396,496,000	259,138,000	
Municipal	19,100,000	15,754,300	
Residential	232,390,000	214,316,400	
Social	26,280,000	33,537,000	
State	1,054,269,000	652,980,000	
	<b>1,728,535,000</b>	<b>1,175,725,700</b>	

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2009. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The new general valuation was implemented on 01 July 2011.

# Makhuduthamaga Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand

### 15. Government grants and subsidies

Equitable share	2012	2011
Equitable share	126,283,000	111,893,476
Municipal Infrastructure Grant	30,128,612	28,401,000
Financial Management Grant	1,500,000	1,500,000
Municipal Systems Improvement Program Grant	790,000	750,000
Integrated National Electrification Program Grant	10,000,000	5,000,000
	<b>168,701,612</b>	<b>147,544,476</b>

### Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

### Municipal Infrastructure Grant

Balance unspent at beginning of year	-	11,243,930
Current-year receipts	34,159,000	28,401,000
Conditions met - transferred to revenue	(30,128,612)	(28,401,000)
2010/11 MIG received in advance	-	(11,243,930)
	<b>4,030,388</b>	<b>-</b>

Conditions still to be met - remain liabilities (see note 11)

### Financial Management Grant

Balance unspent at beginning of year	-	42,051
Current-year receipts	1,500,000	1,500,000
Conditions met - transferred to revenue	(1,500,000)	(1,500,000)
Reverted to National Treasury	-	(42,051)
	<b>-</b>	<b>-</b>

Conditions still to be met - remain liabilities (see note 11)

### Municipal Systems Improvement Program Grant

Balance unspent at beginning of year	-	13,520
Current-year receipts	790,000	750,000
Conditions met - transferred to revenue	(790,000)	(750,000)
Reverted to National Treasury	-	(13,520)
	<b>-</b>	<b>-</b>

Conditions still to be met - remain liabilities (see note 11)

### Integrated National Electrification Programme Grant

Current-year receipts	10,000,000	5,000,000
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## Makhuduthamaga Local Municipality

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### Notes to the Annual Financial Statements

Figures in Rand		
2012	2011	
<b>15. Government grants and subsidies (continued)</b>		
Conditions met - transferred to revenue		
(10,000,000)	(5,000,000)	-
All conditions to the Integrated National Electrification Programme Grant were met during the year.		
<b>Expanded Public Works Programme Incentive Grant</b>		
Balance unspent at beginning of year		
104,000	104,000	-
Current-year receipts		
504,000	104,000	104,000
608,000	104,000	104,000
Conditions still to be met - remain liabilities (see note 11)		
<b>Changes in level of government grants</b>		
Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.		
<b>16. Other income</b>		
Administration and management fees received - third party		
2,466,116	2,399,160	
Sundry income		
703,661	1,219,201	
3,169,777	3,618,361	

## Makhuduthamaga Local Municipality

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## Notes to the Annual Financial Statements

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2012 2011

### 17. General expenses

Advertising	768,465	788,786
Assets expensed	3,749,617	19,501,459
Auditors remuneration	1,886,403	1,218,993
Bank charges	97,497	97,698
Cleaning	590,382	371,399
Conferences and seminars	78,030	273,930
Consulting and professional fees	2,715,506	4,399,721
Delivery expenses	6,600	-
Donations	92,312	989,157
Electricity	466,501	633,161
Entertainment	125,636	481,784
Fuel and oil	566,016	474,882
General expenses	15,689,418	583,320
IT expenses	165,925	340,539
Insurance	451,026	350,396
Lease rentals on operating lease	292,603	260,679
Marketing	274,660	161,652
Motor vehicle expenses	18,143	341,083
Postage and courier	9,935	43,318
Printing and stationery	679,685	706,066
Promotions and sponsorships	1,356,749	1,539,832
Protective clothing	27,574	-
Publications	371,610	491,361
Security (Guarding of municipal property)	10,082,744	7,274,474
Subscriptions and membership fees	505,019	264,664
Telephone and fax	379,092	356,080
Traditional leader support	95,250	33,400
Training	3,372,290	2,529,495
Travel - local	1,906,153	1,657,756
46,820,841		46,165,085

### 18. Operating surplus

Operating surplus for the year is stated after accounting for the following:

#### Operating lease charges

- Lease rentals on operating lease
- Contractual amounts

260,679	292,603
60,707	313,406
8,687,137	9,305,061
34,449,369	39,622,944

### 19. Employee related costs

13,834,338	14,895,818
97,929	1,094,922

Basic  
Bonus

## Makhuduthamaga Local Municipality

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## Notes to the Annual Financial Statements

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2012 2011

### 19. Employee related costs (continued)

Medical aid - company contributions	1,184,131	661,975
UIF	118,733	104,273
SDL	196,977	164,657
Leave pay provision charge	274,388	156,341
Post-employment benefits - Pension - Defined contribution plan	2,899,570	2,238,766
Overtime payments	167,842	175,617
Car allowance	3,367,048	2,617,112
Housing benefits and allowances	843,319	396,100
Clothing Allowance	12,084	7,249
Cellphone allowance & costs	616,683	498,619
	<b>25,671,515</b>	<b>20,952,976</b>

### Remuneration of municipal manager

Annual Remuneration including benefits and allowances	955,169	889,352
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### Remuneration of chief finance officer

Annual Remuneration including benefits and allowances	867,558	816,000
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### Director corporate and human resources (corporate services)

Annual Remuneration including benefits and allowances	710,370	638,900
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### Director health, safety and social services (emergency management services)

Annual Remuneration including benefits and allowances	719,721	638,900
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### Director procurements and infrastructure (planning, transport and environmental affairs)

Annual Remuneration including benefits and allowances	703,378	638,900
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### 20. Remuneration of councillors

Mayor	633,858	362,756
Speaker	437,779	274,271
Mayoral Committee Members	3,299,821	1,628,247
Councillors	5,694,592	5,707,925
Councillors' pension contribution	1,004,900	1,450,915
Allowances	2,752,712	3,839,146
Travel claims	77,146	188,647
Skills Development Levy	50,621	44,486
	<b>13,951,429</b>	<b>13,496,393</b>

### In-kind benefits

The Department of Local Government provided the municipality with an Accountant Resident who was still in service in



# Makhuduthamaga Local Municipality

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Annual Financial Statements for the year ended 30/06/2012

## Notes to the Annual Financial Statements

Figures in Rand

	2012	2011
<b>20. Remuneration of councillors (continued)</b>		
year under review.		
<b>21. Debt impairment</b>		
Current year doubtful debts allowance	11,654,593	4,432,696
Less: Previous doubtful debts	(4,432,696)	(2,566,229)
	<b>7,221,897</b>	<b>1,866,467</b>
<b>22. Investment revenue</b>		
Interest revenue		
Bank and investments	3,671,638	3,048,256
Interest charged on trade and other receivables	6,745,089	2,924,866
	<b>10,416,727</b>	<b>5,973,122</b>
<b>23. Depreciation and amortisation</b>		
Property, plant and equipment	9,305,061	8,687,137
Intangible assets	313,406	60,707
	<b>9,618,467</b>	<b>8,747,844</b>
<b>24. Auditors' remuneration</b>		
Fees	1,886,403	1,218,993
<b>25. Contracted services</b>		
Information Technology Services	-	136,959
Specialist Services	152,203	1,349,281
Other Contractors	3,783,099	4,317,510
	<b>3,935,302</b>	<b>5,803,750</b>
<b>26. Grants and subsidies paid</b>		
Other subsidies	4,279,906	3,260,347
Indigent grants		

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2012	2011
<b>27. Cash generated from operations</b>	
Surplus	65,544,558
<b>Adjustments for:</b>	81,114,048
Depreciation	9,618,467
Loss on sale of Assets	1,344,596
VAT impairment	7,337,286
Debt impairment	1,866,467
Movements in provisions	(201,495)
<b>Changes in working capital:</b>	(29,750)
Inventories	(363,125)
Consumer debtors	(40,807,615)
Trade and other payables from exchange transactions	4,479,522
VAT	(3,468,474)
Unspent conditional grants and receipts	(11,195,501)
'Non Cash movement due to unbundling and prior period error'	(19,422,318)
	63,594,188
	<b>27,347,214</b>
<b>28. Commitments</b>	
<b>Authorised operating and capital expenditure</b>	
<b>Operational expenditure</b>	
• Approved and contracted	3,665,023
• Approved but not yet contracted	4,160,705
	<b>4,160,705</b>
<b>Capital expenditure</b>	
• Property, plant and equipment	20,097,891
• Investment property	10,858,706
	<b>20,097,891</b>
	<b>10,858,706</b>

The municipality still has future commitments to service providers for services still to be rendered. The minimum payments still due to the service providers at 30 June 2012 amount to R23 762 914 for capital commitments..

### 29. Contingencies

There are no litigations in process against the municipality for the year under review

### 30. Related parties

Relationships

Councillors and members of key management

Refer to General Information page for detail on  
councillors and key management.

Remuneration of senior management, and councillors is disclosed in note 19 and note 20 respectively.

### 31. Prior period errors

## Makhuduthamaga Local Municipality

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### Notes to the Annual Financial Statements

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#### 31. Prior period errors (continued)

1. In the prior year capital commitments were incorrectly accrued and have been retrospectively reclassified.
  2. Investment property, was previously not accounted in the accounting records of the municipality and have been retrospectively accounted.
  3. Intangible assets, was previously wrongly classified as property, plant and equipment and have been retrospectively reclassified. Depreciation and amortisation have been retrospectively restated.
  4. Government debtors, were incorrectly impaired in the prior year and have been retrospectively adjusted.
  5. Expenses of a capital in nature were incorrectly expense in the statement of financial performance and they have been retrospectively reclassified to property, plant and equipment.
  6. Property, plant and equipment was restated due to unbundling and depreciation was restated due to the unbundling.
- The correction of the errors results in adjustments as follows:

#### Statement of financial position

Property, plant and equipment	-	-	(24,631,809)
Investment property	-	-	1,117,500
Intangible Assets	-	-	1,274,799
Trade and other payables	-	-	8,221,140
VAT receivable	-	-	957,286
Consumer Debtors	-	-	26,245,893
Accumulated surplus or deficits	-	-	13,310,663
<b>Statement of financial performance</b>			
Depreciation and amortisation	-	-	2,558,393
Personnel Cost	-	-	(20,670)
Debt Impairment	-	-	(26,245,893)
General expenses	-	-	(872,405)
Repairs and maintenance	-	-	(54,325)

#### 32. Risk management

##### Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

##### Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

##### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.



## Makhuduthamaga Local Municipality

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Annual Financial Statements for the year ended 30/06/2012

## Notes to the Annual Financial Statements

Figures in Rand

2012 2011

### 32. Risk management (continued)

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

### 33. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the Municipality to continue as going concern is dependent on funding from the national treasury

### 34. Unauthorised expenditure

Electricity	495,633	-
Repairs and Maintenance Other	361,266	-
Upgrading & Maintenance Sports	46,713	-
Less: Amounts condoned	(903,612)	-
	-	-

The above unauthorised expenditure relates to overspending on expenditure votes for the current year. There were no unauthorised expenditure in the prior year. The municipality has introduced stringent measures to ensure that no spending will be allowed on votes that have fully utilized their budget

The unauthorised expenditure has been condoned by the council as per resolution No. 12 of 2012 financial year.

### 35. Fruitless and wasteful expenditure

Balance at the beginning at of the year	4,304	-
Additions during the year	3,914	2,338
Less: Amounts condoned	(8,218)	(2,338)
	-	-

The above fruitless and wasteful expenditure relates to penalties and interest levied from supplier to whom payments were not made on time. The municipality has strived to ensure that the fruitless and wasteful expenditure is reduced to zero, by following up all tax invoices to ensure that they are received on time and payments are effected timeously.

Fruitless and wasteful expenditure has been condoned by the council as per resolution No. 12 of 2012 financial year.

## Makhuduthamaga Local Municipality

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### Notes to the Annual Financial Statements

Figures in Rand

#### 36. Irregular expenditure

Add: Irregular Expenditure - current year	1,673,574	17,854,680
Less: Amounts condoned	(1,673,574)	(17,854,680)

	-	-
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#### Details of irregular expenditure incident

Integrated National Electrification Programme (Municipal) Grant	-	
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Irregular expenditure in the current year relates to expenditure that was incurred against the provisions of section 84(1)(c) of the Municipal Structures Act which vests the function of bulk supply of electricity (including the transmission, distribution and generation of electricity) in district municipalities. Contrary to the Act, the municipality used the equitable share for provision of electricity.

#### Details of irregular expenditure condoned

Irregular expenditure has been condoned by the council as per resolution No. 12 of 2012 financial year	-	
The Municipality is no longer paying for Electricity projects that are not funded by the Department of Energy	-	

	-	
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## Makhuduthamaga Local Municipality

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Annual Financial Statements for the year ended 30/06/2012

## Notes to the Annual Financial Statements

Figures in Rand

2012  
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### 37. Reconciliation between budget and statement of financial performance

Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance:

Net surplus per the statement of financial performance	81,114,048	65,544,558
Adjusted for:		
Property rates	85,696	105,443
Investment revenue	(1,215,937)	(3,198,829)
Transfers recognised	5,578,388	524
Other own revenue	2,885,269	14,039,911
Employee costs	1,549,043	(4,791,994)
Remuneration of councillors	(5,782,354)	46,399
Depreciation & asset impairment	4,190,484	(1,813,386)
Finance charges	(12,502)	(108,033)
Transfers and grants	-	760,347
Other expenditure	39,075,868	38,002,896
Net surplus per approved budget	127,468,003	108,587,836

### 38. Additional disclosure in terms of Municipal Finance Management Act

#### Audit fees

Amount paid - previous years 1,882,303 1,218,993

#### Pension and Medical Aid Deductions

Current year subscription / fee 3,984,320 2,238,766

Amount paid - current year (3,984,320) (2,238,766)

#### VAT

VAT receivable 17,883,570 14,002,206

VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

#### Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council.

Deviations occurred in the current year in respect of procurements of over R 2 000 for which it is required, in terms of the Treasury Regulations, that the municipality obtain quotations from at least three prospective suppliers that are registered on the list prospective suppliers prior to selecting sources of procurement. Approval for the transactions concerned was obtained as described above.



**Makhuduthamaga Local Municipality**

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Annual Financial Statements for the year ended 30/06/2012

**Notes to the Annual Financial Statements**

Figures in Rand

**39. Actual operating expenditure versus budgeted operating expenditure**

Refer to Appendix D for the comparison of actual operating expenditure versus budgeted expenditure.

## Appendix B

June 2012

### Analysis of property, plant and equipment as at 30 June 2012

#### Cost/Revaluation

#### Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Land and buildings</b>														
Land (Separate for AFS purposes)	-	200,000	-	-	-	-	200,000	-	-	-	-	-	-	200,000
Landfill Sites (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings (Separate for AFS purposes)	13,758,105	3,268,500	-	-	-	-	17,026,605	(2,820,373)	-	-	(596,375)	-	(3,225,748)	13,800,857
	13,758,105	3,468,500	-	-	-	-	17,226,605	(2,820,373)	-	-	(596,375)	-	(3,225,748)	14,000,857
<b>Infrastructure</b>														
Prefabricated culverts	2,401,091	77,722	-	-	-	-	2,478,813	(192,087)	-	-	(98,590)	-	(290,677)	2,188,136
Concrete kerbing	170,134	405,858	-	-	-	-	576,092	(8,507)	-	-	(12,567)	-	(21,074)	555,018
Mass Earthworks	2,862,942	48,576	-	-	-	-	2,911,418	(71,571)	-	-	(36,263)	-	(107,854)	2,803,564
Pavement layers	43,434,736	366,790	-	-	-	-	43,801,486	(5,791,298)	-	-	(2,915,679)	-	(8,706,976)	35,094,510
Prime coat	126,243	-	-	-	-	-	126,243	(16,832)	-	-	(8,416)	-	(25,248)	100,995
Double Seals	12,273,625	-	-	-	-	-	12,273,625	(1,636,483)	-	-	(818,242)	-	(2,454,725)	9,818,500
Piping, Stretwork and Protection	4,525,500	-	-	-	-	-	4,525,500	(603,400)	-	-	(301,700)	-	(905,100)	3,620,400
Gabions	172,727	-	-	-	-	-	172,727	(13,818)	-	-	(6,909)	-	(20,727)	152,000
Guardrails	36,909	-	-	-	-	-	36,909	(2,953)	-	-	(1,476)	-	(4,429)	32,480
Road signs	98,813	9,252	-	-	-	-	107,865	(13,148)	-	-	(7,080)	-	(20,228)	87,637
Readman's bridges	21,875	3,238	-	-	-	-	25,113	(2,917)	-	-	(1,635)	-	(4,552)	20,561
Concrete Block Paving For Roads	10,820,000	971,524	-	-	-	-	11,891,524	(1,456,000)	-	-	(781,057)	-	(2,237,057)	9,654,467
Concrete for Structures	409,700	32,384	-	-	-	-	442,084	(54,627)	-	-	(29,082)	-	(83,709)	358,375
Bridges	12,337,940	10,058,918	-	-	-	-	22,396,858	(1,645,059)	-	-	(1,342,826)	-	(2,987,885)	19,409,973
Street Lighting	1,079,269	-	-	-	-	-	1,079,269	(10,842)	-	-	(71,951)	-	(82,793)	996,476
High Masts	4,196,719	-	-	-	-	-	4,196,719	(559,563)	-	-	(279,781)	-	(839,344)	3,357,375
	95,067,923	11,974,322	-	-	-	-	107,042,245	(12,079,105)	-	-	(6,713,273)	-	(18,792,576)	88,249,667
<b>Community Assets</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-

## Appendix B

June 2012

### Analysis of property, plant and equipment as at 30 June 2012 Cost/Revaluation Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Heritage assets</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Specialised vehicles</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Other assets</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
General vehicles	7,657,055	2,860,547	(3,113,754)	-	-	-	7,403,848	(4,516,448)	2,217,409	-	(909,584)	-	(3,208,623)	4,195,225
Plant & equipment	2,192,830	956,936	(978,109)	-	-	-	2,171,657	(1,024,338)	528,773	-	(341,473)	-	(837,038)	1,334,619
Computer Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Software (part of computer equipment)	2,729,045	372,360	(1,172,452)	-	-	-	1,928,953	(1,055,424)	657,671	-	(414,139)	-	(811,882)	1,117,061
Furniture & Fittings	977,078	130,711	(110,335)	-	-	-	997,454	(327,019)	46,528	-	(185,421)	-	(465,912)	531,542
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment - Leased	507,891	342,352	(91,769)	-	-	-	758,474	(37,693)	11,660	-	-	(144,797)	(170,830)	587,644
Loose Tools	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Milelets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress	13,418,812	52,994,355	-	(14,554,571)	-	-	51,858,596	-	-	-	-	-	-	51,858,596
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total property plant and equipment</b>	<b>27,482,711</b>	<b>57,657,261</b>	<b>(5,466,419)</b>	<b>(14,554,571)</b>	<b>-</b>	<b>-</b>	<b>65,118,982</b>	<b>(6,960,922)</b>	<b>3,462,041</b>	<b>-</b>	<b>(1,850,617)</b>	<b>(144,797)</b>	<b>(5,494,295)</b>	<b>59,624,687</b>
<b>Land and buildings</b>	<b>13,758,105</b>	<b>3,468,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17,226,605</b>	<b>(2,629,373)</b>	<b>-</b>	<b>-</b>	<b>(596,375)</b>	<b>-</b>	<b>(3,225,748)</b>	<b>14,000,857</b>
Infrastructure	95,067,923	11,974,322	-	-	-	-	107,042,245	(12,079,105)	-	-	(6,713,273)	-	(18,792,378)	88,249,867
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	27,482,711	57,657,261	(5,466,419)	(14,554,571)	-	-	65,118,982	(6,960,922)	3,462,041	-	(1,850,617)	(144,797)	(5,494,295)	59,624,687
Other assets	136,308,739	73,100,083	(5,466,419)	(14,554,571)	-	-	189,387,832	(21,669,400)	3,462,041	-	(9,160,285)	(144,797)	(27,512,421)	161,875,411
<b>Agricultural/Biological assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Intangible assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Computers - software & programming	1,335,506	2,895	-	-	-	-	1,338,401	(60,707)	-	-	(313,406)	-	(374,113)	964,288
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Other</b>	<b>1,335,506</b>	<b>2,895</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,338,401</b>	<b>(60,707)</b>	<b>-</b>	<b>-</b>	<b>(313,406)</b>	<b>-</b>	<b>(374,113)</b>	<b>964,288</b>



## Appendix B

June 2012

### Analysis of property, plant and equipment as at 30 June 2012

#### Cost/Revaluation

#### Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Investment properties</b>														
Investment property	1,171,500	-	-	-	-	-	1,171,500	-	-	-	-	-	-	1,171,500
<b>Total</b>	<b>1,171,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,171,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,171,500</b>
<b>Land and buildings</b>														
Infrastructure	13,758,105	3,468,500	-	-	-	-	17,226,605	(2,529,373)	-	-	(596,375)	-	(3,225,748)	14,000,857
Community Assets	95,067,923	11,974,322	-	-	-	-	107,042,245	(12,079,105)	-	-	(6,713,273)	-	(18,792,378)	88,249,867
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	27,482,711	57,557,261	(5,466,419)	(14,554,571)	-	-	65,118,982	(6,960,922)	3,462,041	-	(1,850,617)	(144,797)	(5,494,295)	59,624,687
Agicultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	1,335,506	2,895	-	-	-	-	1,338,401	(60,707)	-	-	(313,406)	-	(374,113)	964,288
Investment properties	1,171,500	-	-	-	-	-	1,171,500	-	-	-	-	-	-	1,171,500
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>138,815,745</b>	<b>73,102,978</b>	<b>(5,466,419)</b>	<b>(14,554,571)</b>	<b>-</b>	<b>-</b>	<b>191,897,733</b>	<b>(21,730,107)</b>	<b>3,462,041</b>	<b>-</b>	<b>(9,473,671)</b>	<b>(144,797)</b>	<b>(27,886,534)</b>	<b>164,011,199</b>

**Appendix D(1)**  
June 2012

**Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2012**

	Forecast # 1 2012 Act. Bal.	Forecast # 1 2012 Adjusted budget	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Sale of goods	-	-	-	-	
Sale of goods in agricultural activities	-	-	-	-	
Rendering of services	-	-	-	-	
Rendering of services in agricultural activities	-	-	-	-	
Property rates	41,358,051	41,443,710	(85,659)	(0.2)	
Service charges	-	-	-	-	
Levies	-	-	-	-	
Property rates - penalties imposed and collection charges	-	-	-	-	
Sales of housing	-	-	-	-	
Construction contracts	-	-	-	-	
Royalty income	-	-	-	-	
Rental of facilities and equipment	92,511	100,000	(7,489)	(7.5)	
Interest received - trading	-	-	-	-	
Dividends received	-	-	-	-	
Income from agency services	-	-	-	-	
Public contributions and donations	-	-	-	-	
Fines	-	-	-	-	
Licences and permits	-	-	-	-	
Government grants & subsidies	128,573,000	130,121,000	(1,548,000)	(1.2)	
Municipal Revenue UD1	-	-	-	-	
Municipal Revenue UD2	-	-	-	-	
Revenue 1	-	-	-	-	
Revenue 2	-	-	-	-	
Miscellaneous other revenue	-	-	-	-	
Administration and management fees received	2,466,116	4,000,000	(1,533,884)	(38.3)	Only one traffic station was fully operating during the year while we expected the two of the to be in fully operation during the budgeting.
Fees earned	-	-	-	-	
Commissions received	-	-	-	-	
Royalties received	-	-	-	-	
Rental income	-	-	-	-	
Discount received	-	-	-	-	
Recoveries	-	-	-	-	
Other income 1	-	-	-	-	
Other income 2	-	-	-	-	
Other income 3	-	-	-	-	
Other income	703,661	6,963,614	(6,259,953)	(89.9)	The budget for other income contains a VAT amount of R6 263 614,00 recoverable from SARS, which is credited to the VAT control account when is received.
Other farming income 1	-	-	-	-	
Other farming income 2	-	-	-	-	
Other farming income 3	-	-	-	-	
Other farming income 4	-	-	-	-	
Other farming income	-	-	-	-	
Government grants	-	-	-	-	

**Appendix D(1)**  
June 2012

**Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2012**

	Forecast # 1 2012	Forecast # 1 2012	Variance	Explanation of Significant Variances greater than 10% versus Budget
Interest received - Investment	3,671,838	3,850,000	(178,362)	(4.6)
Interest received - Outstanding debtors	6,745,089	4,773,455	1,971,634	41.3 The debtors balance increased significantly during the year, as a result of non-payment.
Dividends received	-	-	-	-
	183,610,066	191,251,779	(7,641,713)	(4.0)
<b>Expenses</b>				
Personnel Costs	(25,671,515)	(33,120,902)	7,449,387	(22.5) Vacancies that were budgeted for, were filled on time and other were not filled as at year end.
Manufacturing - Employee costs	-	-	-	-
Remuneration of councillors	(13,951,429)	(14,102,429)	151,000	(1.1)
Administration	-	-	-	-
Transfer payments	-	-	-	-
Depreciation	(9,305,061)	(3,187,986)	(6,117,075)	191.9 Restatement of figures due to unbundling of assets.
Impairment	-	-	-	-
Amortisation	(313,406)	-	(313,406)	-
Impairments	-	-	-	-
Reversal of impairments	(8,730)	(110,000)	101,270	(92.1) We were anticipating to have the machines on 01 July 2011, but were only in operation towards the end of the financial year, hence the difference.
Finance Charges	(7,221,896)	(29,587,545)	22,365,649	(75.6) The policy requires all debtors above 120 days to be impaired. Government debtors were initially budgeted for impairment and were subsequently taken out of the provision.
Debt impairment	-	-	-	-
Collection costs	-	-	-	-
Repairs and maintenance	-	-	-	-
- Manufacturing expenses	-	-	-	-
Repairs and maintenance - General	-	-	-	-
Repairs and maintenance - General	-	-	-	-
Bulk purchases	(30,548,429)	(31,351,486)	803,057	(2.6) Repairs and maintenance for municipal buildings which was budgeted for was not done during the current financial year.
Contracted Services	-	-	-	-
Grants and subsidies paid	-	-	-	-
Cost of housing sold	-	-	-	-
Other Expenses	(55,604,164)	(43,226,555)	(12,377,609)	28.6 Electricity projects were initially budgeted under capital expenditure and were subsequently expensed under operating budget as the Municipality does not have authority for electricity functions.
Other (taken out of General expenses)	-	-	-	-
Other (taken out of General expenses)	-	-	-	-
Other (taken out of General expenses)	-	-	-	-
Other (taken out of General expenses)	-	-	-	-
Other revenue and costs	(142,624,630)	(154,686,903)	12,062,273	(7.8)



**Appendix D(1)**  
June 2012

**Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2012**

	Forecast # 1 2012 Act. Bal.	Forecast # 1 2012 Adjusted budget	Variance	Explanation of Significant Variances greater than 10% versus Budget
Gain or loss on disposal of assets and liabilities	-	-	-	-
Gain or loss on exchange differences	-	-	-	-
Fair value adjustments	-	-	-	-
Gains or losses on biological assets and agricultural produce	-	-	-	-
Income from equity accounted investments	-	-	-	-
Gain or loss on disposal of non-current assets held for sale or disposal groups	-	-	-	-
Taxation	-	-	-	-
Discontinued operations	-	-	-	-
Net surplus/ (deficit) for the year	40,985,436	36,564,876	4,420,560	12.1